## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## Pre-Effective Amendment No. 2

on
FORM F-1/A
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
NAVIOS MARITIME HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Republic of Marshall Islands (State or other jurisdiction of
incorporation or organization)

4412
(Primary Standard Industrial
Classification Code Number)

98-0384348 (I.R.S. Employer
Identification No.)

Navios Maritime Holdings Inc.
85 Akti Miouli Street
Piraeus, Greece 18538
(011) $+30-210-4595000$
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)
Trust Company of the Marshall Islands, Inc.
Trust Company Complex, Ajeltake Island
P.O. Box 1405

Majuro, Marshall Islands MH96960
(Name, address, including zip code, and telephone number, including area code, of agent for service)
With copies to:
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Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement becomes effective.
If any of the securities being registered on this Form are being offered or on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. $\boxtimes$

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462 (c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. $\square$

Calculation of Registration Fee

| Title of each class of securities to be registered | Amount to be <br> registered (1) | Proposed maximum <br> offering price per share (2) | Proposed maximum <br> aggregate offering price (2) | Amount of <br> registration fee (2) |  |
| :--- | :---: | :---: | :---: | :---: | :---: |
| Common Stock, $\$ .0001$ par value per share | $65,550,000(3)$ | $\$$ | 5.18 | $\$$ | $339,549,000$ |

(1) Pursuant to Rule 416 promulgated under the Securities Act of 1933, as amended, there are also registered hereunder such indeterminate number of additional Purssuant to Rule 416 promulgated under the Securities Act of 1933, as amended, there are also registered hereunder such indeterminate number of adatitinar
shares as may be required to be issued to the holders of the publicly traded warrants upon exercise to prevent dilution resulting from stock splits, stock dividends or similar transactions pursuant to the terms of the warrants.
(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933 based on the average of the high and low sales price of the common stock on October 26, 2005 , as reported on the Over-The-Counter Bulletin Board. The issuance of the shares of
common stock we are registering are expected to be issued to the holders of our publicly traded warrants upon exercise by such holders of the warrants. To common stock we are registering are expected to be issued to the holders of our publicly traded warrants upon exercise by such holders of the warrants. To the extent any of the warrants are exercised,
exercise of the publicly traded warrants.
(3) This registration statement covers the issuance by us of $65,550,000$ shares of common stock issuable upon the exercise of our publicly traded warrants, which warrants have an exercise price of $\$ 5.00$ per share and were issued in connection with the initial public offering of International Shipping Enterprises, Inc., our
legal predecessor. legal predecessor.
(4) Previously paid

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of acting pursuant to Section 8(a), may determine.

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The Information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective This prospectus is not an offer to sell securities, and statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer
we are not soliciting offers to buy these securities, in any state where the offer or sale is not permitted.

## PROSPECTUS

Subject to completion, dated April 5, 2006

## NAVIOS MARITIME HOLDING INC.

## 65,550,000 Shares of Common Stock

## Issuable Upon Exercise of Outstanding Publicly Traded Warrants

Navios Maritime Holdings Inc. is registering 65,550,000 shares of Common Stock, par value $\$ .0001$ per share, which shares are underlying our publicly traded warrants. The shares of Common Stock being registered may be issued by us upon exercise by the holders of our outstanding, publicly traded warrants. The warrants have an exercise price of $\$ 5.00$ per share and were issued by International Shipping Enterprises, Inc., our legal predecessor, in its initial public offering. To the extent any holder of our publicly traded warrants determines to exercise their warrants, we will receive the payment of the exercise price in connection with any such exercise. The warrants and our shares of common stock are currently traded on the Nasdaq National Market System under the symbols BULKW and BULK, respectively, and on April 4, 2006, the last reported sale prices of the warrants and common stock were $\$ 0.55$ and $\$ 4.79$, respectively. We also have a current trading market for our units. One unit consists of one share of our common stock and two warrants with each warrant entitling the holder to

## Investing in our securities involves risks.

 See "Risk Factors" beginning on page 9.The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation disapproved these securities, or dete

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information provided by this prospectus is accurate as of any date other than the date on the front of this prospectus. Our business, financial condition, results of operations and prospects may have changed since then In this prospectus, "Navios", "the company", "we", "us" and "our" refer to Navios Maritime Holdings Inc. (unless the context otherwise requires).

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## PROSPECTUS SUMMARY

This summary highlights the material information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before exercising your warrants and buying shares of common stock pursuant to this offering. You should carefully read this entire prospectus, including "Risk Factors" and our consolidated financial statements, before making an investment decision.

Navios is one of the leaders in seaborne shipping, specializing in the worldwide carriage, trading, storing, and other related logistics of international dry bulk cargo transportation. For over 50 years, Navios has worked with raw materials producers, agricultural traders and exporters, industrial end-users, ship owners, and charterers. Navios also has in-house technical ship management expertise. As of the date of this prospectus, the core fleet, the average age of which is approximately 4.3 years, consists of a total of 32 vessels aggregating to approximately 2.1 million deadweight tons or dwt. Navios owns nine modern Ultra-Handymax ( $50,000-55,000$ dwt ) and six Panamax ( $70,000-83,000 \mathrm{dwt}$ ) vessels and has seventeen Panamax and Ultra-Handymax vessels under long-term time charters, nine of which are currently in operation, with the remaining eight scheduled for delivery on various dates from May 2006 to May 2008. We have options, many of which are "in the money", to acquire nine of the seventeen vessels in our long term charter fleet. The owned vessels have a substantial net asse value, and the vessels controlled under the in-charters are at rates well below the current market. In connection with the acquisition of Navios by ISE and the subsequent downstream merger, we have assigned a portion of the purchase price to our long term charter fleet and "in the money" options based on their fair value at August 25, 2005, the date of the acquisition. The amounts assigned are included in favorable lease terms on the balance sheet. Operationally, we have, at various times over the last two years, deployed over 50 vessels at any one time, including the core fleet.

At this time Navios has executed all six currently exercisable purchase options on its chartered-in fleet out of a total of 15 vessels with purchase options. During September, October and November, 2005, Navios gave notice, to the owners of four Ultra-Handymax vessels and two Panamax vessels, of its intention to exercise the options to purchase the vessels at the option exercise price of approximately $\$ 20$ million each. The first of the option vessels, the Navios Meridian was delivered to Navios on November 30, 2005, the second, the Navios

Mercator on December 30, 2005, the third, the Navios Arc on February 10, 2006, the fourth, the Navios Galaxy I on March 23, 2006 and the fifth, the Navios Magellan on March 24, 2006. The sixth vessel, the Navios Horizon, is expected to be delivered in April 2006. The total acquisition cost of these six additional vessels is approximately $\$ 115$ million. Navios believes that the market value of such six vessels is approximately $\$ 200$ million.

On December 19, 2005 Navios concluded an agreement to purchase four panamax vessels from Maritime Enterprises Management S.A. a company affiliated with the family of Angeliki Frangou, our Chairman and Chief Executive Officer. On December 22, 2005, Navios took delivery of the Navios Libra II and the Navios Alegria built in 1995 and 2004 respectively. The third vessel, the Navios Felicity built in 1997, was delivered on December 27, 2005 and the fourth vessel, the Navios Gemini S built in 1994, was delivered on January 5, 2006. The total acquisition cost for the four new vessels, including backlogs, was $\$ 119.8$ million and was funded (i) with $\$ 13.0$ million of Navios' available cash, (ii) with $\$ 80.3$ million from bank financing and (iii) through the issuance of $5,500,854$ shares of Navios common stock at $\$ 4.96$ per share for Navios Alegria ( $1,840,923$ shares) and Navios Libra II ( $1,227,282$ shares), at $\$ 4.82$ per share for Navios Felicity ( $1,271,114$ shares) and at $\$ 4.42$ per share for Navios Gemini S ( $1,161,535$ shares).

On December 21, 2005, Navios entered into a senior secured credit facility with HSH Nordbank AG for $\$ 649$ million. This facility restructured the balance of Navios' senior secured credit facility dated July 12, 2005 with HSH Nordbank AG of $\$ 435$ million while the additional $\$ 214$ million represented financing for the acquisition of the six vessels through the exercise of purchase options and the acquisition of the four additional vessels discussed above. Navios believes that the charter revenue, net of expenses, for these vessels will be sufficient to meet the principal and interest

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obligations on this new debt and, therefore, Navios' net cash flow will not be negatively impacted. However, the current portion of this new debt will cause current liabilities to exceed current assets.

On December 21, 2005, and in connection with the secured credit facility discussed above, Navios entered into an ISDA (International Swap Dealer Association, Inc.) Agreement with HSH Nordbank AG (dated October 3, 2005), providing for (a) interest rate swaps whereby Navios exchanges LIBOR with a fixed rate of $4.74 \%$ (this contract applies for the period March 2006 to March 2007 on notional amounts starting at $\$ 171.0$ million and deescalating down to $\$ 100.5$ million in accordance with a loan repayment schedule), and (b) an interest rate collar with a cap of $5.00 \%$ and a floor of $4.45 \%$ (this contract applies for the period from March 2007 to June 2008 on notional amounts starting at $\$ 82$ million and de-escalating down to $\$ 13.25$ million following the loan repayment schedule).

Navios also owns and operates the largest bulk transfer and storage port facility in Uruguay. While a relatively small portion of our overall enterprise, Navios believes that this terminal is a stable business with strong growth and integration prospects.

As used above and throughout this prospectus, our core fleet means vessels owned or chartered-in on a long term basis: (1) the nine Ultra-Handymax and the six Panamax vessels that we own, (2) the seven Panamax and two Ultra-Handymax vessels that we, as a charterer, employ commercially under long-term charters, which are charters of more than 12 months in duration and (3) the three Ultra-Handymax and five Panamax long term chartered-in vessels to be delivered on various dates from May 2006 to May 2008. We also time charter-in vessels for periods of less than 12 months and charter-out vessels for various periods. Time chartered vessels are vessels that are placed at the charterers' disposal for a set period of time during which the charterer uses the vessels in return for the payment of a daily specified hire. Under time charters, operating costs such as crew, maintenance and insurance are typically paid by the owner of the vessel and fuel and port costs are paid by the time charterer

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among International Shipping Enterprises, Inc.("ISE"), Navios and all the shareholders of Navios, ISE acquired Navios through the purchase of all of the outstanding shares of its common stock. As a result of such acquisition, Navios became a wholly-owned subsidiary of ISE. In addition, on August 25, 2005, simultaneously with the acquisition of Navios, ISE effected a reincorporation from the State of Delaware to the Republic of the Marshall Islands through a downstream merger with and into its newly acquired wholly-owned subsidiary, whose name was and continued to be Navios. As a result of the reincorporation, ISE transitioned from a shell company to an operating business and the operations of Navios became those of a publicly traded company. Navios files its publicly available reports and is subject to the rules and regulations of the Securities and Exchange Commission pursuant to the rules for Foreign Private Issuers.

In accordance with Generally Accepted Accounting Principles in the United States of America, (GAAP), ISE is treated as the accounting acquiror and Navios is treated as the acquiree. This transaction was recorded in two steps. In step one, ISE recorded the $\$ 594.4$ million total cash purchase price, plus $\$ 14.2$ million in allocable transaction costs, by allocating such cost to the net assets acquired in accordance with their fair market value on the acquisition date. The excess of the purchase price over the fair value of the assets acquired was recorded as goodwill. In step two, which immediately followed, ISE effected a "downstream merger" with and into Navios. The assets and liabilities of ISE, which reflected the the acquisition of Navios, became the assets and liabilities of Navios. The stockholders' equity of ISE became the stockholders' equity of Navios. The results of operations of Navios to August 25, 2005, are labeled as "Predecessor" and remain as historically reported. The results of operations from August 26, 2005 forward are labeled a "Successor" and reflect the combined operations of Navios and ISE.

The financial statements included in this prospectus are for the periods August 26, 2005 to December 31, 2005 (successor), January 1, 2005 to August 25, 2005 (predecessor), and for the years ended December 31, 2004 and 2003 (predecessor). The purchase of the assets of Navios, through the

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purchase of all of its outstanding shares of common stock, and the subsequent downstream merger of ISE with and into Navios, took place on August 25, 2005. Accordingly, the December 31, 2005 historical balance sheet included in this prospectus reflects the acquisition and downstream merger. In addition, an unaudited pro forma consolidated statement of operations for the year ended December 31, 2005 which gives effect to the purchase and related financing of Navios by ISE as if it had occurred on January 1, 2005, is included in this prospectus.

In this prospectus, all references to Navios, we, or our, refer to Navios Maritime Holdings Inc., the accounting acquiree. References to ISE refer to International Shipping Enterprises, Inc., the accounting acquiror, from its inception to its merger into Navios on August 25, 2005.

Our executive offices are located at 85 Akti Miaouli, Piraeus Greece 18538 and our telephone number is (011) $+30-210-459-5000$. Our website is located at http://www.navios.com. The information contained on our website is not intended to be a part of this prospectus.
shares of Common Stock, excluding 65,550,000 shares of Common Stock issuable upon effectiveness of the registration statement of which this prospectus forms a part and upon exercise of the outstanding, publicly traded warrants.
Upon exercise of the publicly traded warrants, if any, if at all, Navios will receive the exercise price of $\$ 5.00$ per share in proceeds from the sales described in this prospectus. If all of the outstanding publicly traded warrants were exercised Navios would receive proceeds upon such exercise of $327,750,000$. However, Navios cannot predict the timing or the amount of the exercise of the warrants. Accordingly, we have not allocated any portion of the potential proceeds to any particular use and any proceeds received will be added to working capital. The company will pay the costs related to the registration of the issuance of the shares of common stock underlying our publicly traded warrants.

Nasdaq National Market Symbol of Common Stock
Nasdaq National Market Symbol of Warrants
Nasdaq National Market Symbol of Units

BULK

BULKW

BULKU

There are no currently issued and outstanding options or warrants, other than our currently outstanding, publicly traded warrants.

Our common stock, the warrants and units commenced trading on the Nasdaq National Market System on November 3, 2005. Prior to such time, our securities traded on the OTC Bulletin Board.

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among ISE, Navios and all the shareholders of Navios, ISE acquired Navios through the purchase of all of the outstanding shares of common stock of Navios. As a result of such acquisition, Navios became a wholly-owned subsidiary of ISE. In addition, on August 25, 2005, simultaneously with the acquisition of Navios, ISE effected a reincorporation from the State of Delaware to the Republic of Marshall Islands through a downstream merger with and into its newly acquired wholly-owned subsidiary, Navios. As a result of the reincorporation, ISE transitioned from a shell company to an operating business and the operations of Navios became those of a publicly traded company. For purposes of the federal securities laws and its public filings, Navios qualifies as a "foreign private issuer" as that term is defined in Rule 3b-4 under the Securities Exchange Act of 1934.

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## Summary Consolidated Financial Data

The Navios historical successor information is derived from the audited consolidated financial statements of Navios as of December 31, 2005 and for the period from August 26, 2005 to December 31, 2005. The Navios historical predecessor information is derived from the audited consolidated financial statements as of Decembe 31, 2004 and for the period from January 1, 2005 to August 25, 2005 and for each of the two years in the period ended December 31, 2004 included elsewhere in this prospectus. Navios' balance sheet data as of December 31, 2003, 2002, and 2001, and the historical information for the two years ended December 31, 2002 is derived from the financial statements which are not included in this prospectus. The purchase of the net assets of Navios by ISE, through the purchase of all of its outstanding shares of common stock, and the subsequent downstream merger of ISE into Navios took place on August 25, 2005. On December 11, 2002, Navios Corporation completed a business combination with Anemos Maritime Holdings Inc. (Anemos) and Anemos was considered the accounting acquirer in the business combination. The financial statements for the two year period January 1, 2001 to December 31, 2002 include the accounts of Anemos and its wholly-owned subsidiaries for the full year and Navios Corporation for December 11, 2002 through December 31, 2002. The information is only a summary and should be read in conjunction with the historical consolidated financial statements and related notes, to the extent contained elsewhere herein.

The historical successor and predecessor results included below and elsewhere in this prospectus are not necessarily indicative of the future performance of Navios.


(1) EBITDA represents net earnings before interest (income and expense), taxes, depreciation and amortization. EBITDA does not represent and Should not be considered as an alternative to net income or cash flow from operations, as determine by U.S. GAAP, and our calculation
EBITDA may not be comparable to that reported by other companies. EBITDA is included in this prospectus because it is a basis upon which we assess our liquidity position and because we believe that it presents useful information to investors regarding a company's ability oo service and/or incur indebtedness. The following table reconciles net cash from operating activities, as reflected in the consolidated statements of cash flows, to EBITDA:

| Net Cash from Operating Activities | $\$$ | 26,081 | $\$$ | 71,945 | $\$$ | 137,218 | $\$$ | 21,452 |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: |

## ISE HISTORICAL FINANCIAL INFORMATION

The ISE historical information is derived from the unaudited financial statements of ISE for the period January 1, 2005 to August 25, 2005, and the audited financial statements of ISE as of December 31, 2004, and for the period from September 17, 2004 (inception) to December 31, 2004. The information is only a summary and should be read in conjunction with the company's historical consolidated financial statements and related notes, to the extent contained elsewhere herein.


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## RISK FACTOR

This offering involves a high degree of risk. You should carefully consider the following risks together with the other information in this prospectus before deciding to exercise your publicly traded warrants and invest in our common stock. If any of the following risks relating to our business and operations actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

## Risks Associated with the Shipping Industry

## The cyclical nature of the international dry bulk shipping industry may lead to decreases in charter rates,

 which may reduce Navios' revenue and earningsThe shipping business, including the dry cargo market, is cyclical in varying degrees, experiencing fluctuations in charter rates, profitability and, consequently, vessel values. For example, at various times during 2004, charter rates for the international dry bulk shipping industry reached historic highs. Navios anticipates that
the future demand for its dry bulk carriers and dry bulk charter rates will be dependent upon continued demand for imported commodities, economic growth in China and the rest of the world, seasonal and regional changes in demand, and changes to the capacity of the world fleet. The capacity of the world fleet seems likely to increase, and there can be no assurance that economic growth will continue. Adverse economic, political, social or other developments could decrease demand and growth in the shipping industry and thereby reduce revenue and earnings. Fluctuations, and the demand for vessels, in general, have been influenced by, among other factors:

- global and regional economic conditions;
- developments in international trade;
- changes in seaborne and other transportation patterns, such as port congestion and canal closures;
- weather and crop yields;
- armed conflicts and terrorist activities;
- political developments; and
- embargoes and strikes

An economic slowdown in the Asia Pacific region could reduce demand for shipping services and decrease shipping rates, thus decreasing Navios' revenues and earnings

Currently, China, Japan and other Pacific Asian economies are the main driving force behind the increase in seaborne dry bulk trades and the demand for dry bulk carriers. Demand from such economies has driven increased rates and vessel values. Conversely, a negative change in economic conditions in any Asian Pacific country, but particularly in China or Japan, may have an adverse effect on Navios' business, financial position, earnings and profitability, as well as Navios' future prospects, by reducing such demand and the resultant rates. In particular, in recent years, China has been one of the world's fastest growing economies in terms of gross domestic product. Navios cannot assure that such growth will be sustained or that the Chinese economy will not experience a decline from current levels in the future. Navios' results of operations, as well as its future prospects, would likely be adversely affected by an economic downturn in any of these countries as such downturn would likely translate into reduced demand for shipping services and lower shipping rates industry wide and decrease revenue and earnings for Navios.

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## Servicing debt could limit funds available for other purposes, such as working capital and the payment of

 dividendsNavios will use cash to pay the principal and interest on its debt. These payments limit funds otherwise available for working capital, capital expenditures and other purposes. As a result of these obligations, Navios' current liabilities now exceed its current assets. This limits the working capital available to grow the business. Navios may need to take on additional debt as it expands the Navios fleet, which could increase its ratio of debt to equity. The need to service its debt may limit funds available for other purposes, including distributing cash to its stockholders, and its inability to service debt could lead to acceleration of its debt and foreclosure on the Navios owned vessels.

The market values of Navios' vessels, which are at historically high levels, may decrease, which could cause it to breach covenants in its credit facility which could reduce earnings and revenues as a result of potential foreclosures

Factors that influence vessel values include:

- number of newbuilding deliveries;
- changes in environmental and other regulations that may limit the useful life of vessels;
- changes in global dry bulk commodity supply;
- types and sizes of vessels;
- development of and increase in use of other modes of transportation;
- cost of vessel newbuildings;
- governmental or other regulations; and
- prevailing level of charter rates.

If the market values of Navios' owned vessels decrease, Navios may breach some of the covenants contained in the financing agreements relating to its indebtedness. If Navios does breach such covenants and is unable to remedy any relevant breach, its lenders could accelerate its debt and foreclose on the collateral, including Navios' vessels. Any loss of vessels would significantly decrease the ability of Navios to generate revenue and income. In addition, if the book value of a vessel is impaired due to unfavorable market conditions, or a vessel is sold at a price below its book value, Navios would incur a loss that would reduce earnings.

## Navios may employ vessels on the spot market and thus expose itself to risk of losses based on short term

## decreases in shipping rates

Navios periodically employs its vessels on a spot basis. The spot charter market is highly competitive and rates within this market are highly volatile, while longer-term time charters provide income at pre-determined rates over more extended periods of time. There can be no assurance that Navios will be successful in keeping its vessels fully employed in these short-term markets, or that future spot rates will be sufficient to enable such vessels to be operated profitably. A significant decrease in spot market charter rates or the inability of Navios to fully employ its vessels by taking advantage of the spot market would result in a reduction of the incremental revenue received from spot chartering and adversely affect results of operations, including Navios' profitability and cash flows, with the result that its ability to pay debt service and dividends could be impaired.

## Maritime claimants could arrest Navios' vessels, which could interrupt its cash flow

Crew members, suppliers of goods and services to a vessel, shippers of cargo, and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages against such vessel. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of Navios' vessels could interrupt its cash flow and require it to pay large sums of funds to have the arrest lifted. Navios is not currently aware of the existence of any such maritime lien on its vessels.

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In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship"" liability against one vessel in Navios' fleet for claims relating to another ship in the fleet.

A failure to pass inspection by classification societies could result in one or more vessels being unemployable unless and until they pass inspection, resulting in a loss of revenues from such vessels for that period and a corresponding decrease in earnings

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the United Nations Safety of Life at Sea Convention. Navios' owned fleet is currently enrolled with Lloyd's Register of Shipping, the American Bureau of Shipping, Nippon Kaiji Kiokai and Bereau Veritas.

A vessel must undergo Annual Surveys, Intermediate Surveys, and Special Surveys. In lieu of a Special Survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Navios' vessels are on Special Survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel is also required to be drydocked every two to three years for inspection of the underwater parts of such vessel.

If any vessel fails any Annual Survey, Intermediate Survey, or Special Survey, the vessel may be unable to trade between ports and, therefore, would be unemployable, potentially causing a negative impact on Navios' revenues due to the loss of revenues from such vessel until it was able to trade again.

Navios is subject to environmental laws that could require significant expenditures both to maintain compliance with such laws and to pay for any uninsured environmental liabilities resulting from a spill or other environmental disaster

The shipping business and vessel operation are materially affected by government regulation in the form of international conventions, national, state, and local laws, and regulations in force in the jurisdictions in which vessels operate, as well as in the country or countries of their registration. Because such conventions, laws, and regulations are often revised, Navios cannot predict the ultimate cost of complying with such conventions, laws, and regulations, or the impact thereof on the resale price or useful life of Navios' vessels. Additional conventions, laws, and regulations may be adopted which could limit Navios' ability to do business or increase the cost of its doing business, which may materially adversely affect its operations, as well as the shipping industry generally. Navios is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, and certificates with respect to its operations.

The operation of vessels is also affected by the requirements set forth in the International Safety Management, or ISM, Code. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe vessel operation and describing procedures for dealing with emergencies. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels, and may result in a denial of access to, or detention in, certain ports. Currently, each of the vessels in Navios' owned flee is ISM Code-certified. However, there can be no assurance that such certification will be maintained indefinitely.

Although the United States is not a party thereto, many countries have ratified and follow the liability scheme adopted by the International Maritime Organization, or IMO, and set out in the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended, or the CLC,

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and the Convention for the Establishment of an International Fund for Oil Pollution of 1971, as amended. Unde these conventions, a vessel's registered owner is strictly liable for pollution damage caused on the territorial waters of a contracting state by discharge of persistent oil, subject to certain defenses. Many of the countries that have ratified the CLC have increased the liability limits through a 1992 Protocol to the CLC. The liability limits in the countries that have ratified this Protocol are currently approximately $\$ 4$ million, plus approximately $\$ 566$ per gross registered ton above 5,000 gross tons, with an approximate maximum of $\$ 80.5$ million per vessel and an exact amount tied to a unit of account which varies according to a basket of currencies. The right to limit liability is forfeited under the CLC where the spill is caused by the owner's actual fault or privity and, under the 1992 Protocol, where the spill is caused by the owner's intentional or reckless conduct. Vessels trading to contracting states must provide evidence of insurance covering the limited liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to the CLC.

Navios currently maintains, for each of its owned vessels, pollution liability coverage insurance in the amount of $\$ 1.0$ billion per incident. If the damages from a catastrophic incident exceed this insurance coverage, it would severely hurt its cash flow and profitability and financial position.

The United States Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States' territorial sea and its 200 nautical mile exclusive economic zone.

Under OPA, vessel owners, operators and bareboat charterers are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers (fuel)

The European Union has introduced and is considering legislation that will affect the operation of vessels and the liability of owners for oil pollution. It is difficult to predict what legislation, if any, may be promulgated by the European Union or any other country or authority. Any such legislation could require significant expenditures to continue to operate vessels and such expenses could negatively impact cash flows and net income.

Navios is subject to vessel security regulations and will incur costs to comply with recently adopted regulations and may be subject to costs to comply with similar regulations which may be adopted in the future in response to terrorism

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002, or MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the US Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to the International Convention for the Safety of Life at Sea, or SOLAS, created a new chapter of the convention dealing specifically with maritime security. The new chapter went into effect in July 2004, and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created ISPS Code. Among the various requirements are:

- on-board installation of automatic information systems, or AIS, to enhance vessel-to-vessel and vessel-to-shore communications;
- on-board installation of ship security alert systems;
- the development of vessel security plans; and
- compliance with flag state security certification requirements.

The US Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-US vessels from MTSA vessel security measures, provided such vessels have

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on board, by July 1, 2004, a valid International Ship Security Certificate (ISSC) that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. Navios will implement the various security measures addressed by the MTSA, SOLAS and the ISPS Code and take measures to ensure that its vessels attain compliance with all applicable security requirements within the prescribed time periods. Although management does not believe these additional requirements will have a material financial impact on Navios' operations, there can be no assurance that there will not be an interruption in operations to bring vessels into compliance with the applicable requirements and any such interruption could cause a decrease in revenues.

## Governments could requisition Navios' vessels during a period of war or emergency, resulting in loss of

 revenues and earnings from such requisitioned vesselsA government could requisition title or seize Navios' vessels during a war or national emergency. Requisition of title occurs when a government takes a vessel and becomes the owner. A government could also requisition Navios' vessels for hire, which would result in the government's taking control of a vessel and effectively becoming the charterer at a dictated charter rate. Requisition of one or more of Navios' vessels would have a substantial negative effect on Navios as Navios would potentially lose all revenues and earnings from the requisitioned vessels and permanently lose the vessels. Such losses might be partially offset if the requisitioning government compensated Navios for the requisition.

The operation of ocean-going vessels entails the possibility of marine disasters including damage or destruction of the vessel due to accident, the loss of a vessel due to piracy or terrorism, damage or destruction of cargo and similar events that may cause a loss of revenue from affected vessels and damage Navios' business reputation, which may in turn, lead to loss of business

The operation of ocean-going vessels entails certain inherent risks that may adversely affect Navios' business and reputation, including:

- damage or destruction of vessel due to marine disaster such as a collision;
- the loss of a vessel due to piracy and terrorism;
- cargo and property losses or damage as a result of the foregoing or less drastic causes such as human error, mechanical failure and bad weather;
- environmental accidents as a result of the foregoing; and
- business interruptions and delivery delays caused by mechanical failure, human error, war, terrorism political action in various countries, labor strikes or adverse weather conditions.

Any of these circumstances or events could substantially increase Navios' costs, as for example, the costs of replacing a vessel or cleaning up a spill or lower its revenues by taking vessels out of operation permanently or for periods of time. The involvement of Navios' vessels in a disaster or delays in delivery or damages or loss of cargo may harm its reputation as a safe and reliable vessel operator and cause it to lose business.

Certain of Navios' directors, officers, and principal stockholders are affiliated with entities engaged in business activities similar to those conducted by Navios which may compete directly with Navios causing such persons to have a conflict of interest

Some of Navios' directors, officers and principal stockholders have an affiliation with entities that have similar business activities to those conducted by Navios. These other affiliations and business activities may give rise to certain conflicts of interest in the course of such individuals' affiliation with Navios. Although Navios does not prevent its directors, officers and principal stockholders from having such affiliations, Navios uses its best efforts to cause such individuals to comply with all applicable laws and regulations in addressing such conflicts of interest. The officers and employee directors of Navios devote their full time and attention to the ongoing operations of Navios and the non-employee directors of Navios devote such time as is necessary and required to satisfy their duties as a director of a public company.

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Trading and complementary hedging activities in freight, tonnage and Forward Freight Agreements (FFAs) subject it to trading risks and Navios may suffer trading losses that reduce earnings

Due to dry bulk shipping market volatility, success in this industry requires constant adjustment of the balance between chartering out vessels for long periods of time and trading them on a spot basis. For example, a long-term contract to charter a vessel might lock Navios into a profitable or unprofitable situation depending on the direction of freight rates over the term of the contract. Navios seeks to manage and mitigate that risk through trading and complementary hedging activities in freight, tonnage and forward freight agreements, or FFAs. However, there is no assurance that Navios will be able at all times to successfully protect itself from volatility in the shipping market. Navios may not successfully mitigate its risks, leaving it exposed to unprofitable contracts and may suffer trading losses that reduce earnings.

Navios is subject to certain credit risks with respect to its counterparties on contracts and failure of such counterparties to meet their obligations could cause it to suffer losses on such contracts decreasing revenues and earnings

Navios charters out its vessels to other parties, who pay Navios a daily rate of hire. Navios also enters into Contracts of Affreightment (COAs) pursuant to which Navios agrees to carry cargoes, typically for industrial customers, who export or import dry bulk cargoes. Additionally, Navios enters into FFAs. Navios also enters into spot market voyage contracts, where Navios is paid a rate per ton to carry a specified cargo from point A to point B. All of these contracts subject Navios to counterparty credit risk. As a result, Navios is subject to credit risks at various levels, including with charterers, cargo interests, or terminal customers. If the counterparties fail to meet their obligations, Navios could suffer losses on such contracts which would decrease revenues and earnings.

## Navios is subject to certain operating risks, including vessel breakdown or accident, that could result in a loss

 of revenue from the affected vessels leading to a reduction in revenues and earningsNavios' exposure to operating risks of vessel breakdown and accidents mainly arises in the context of its 15 owned vessels. The rest of its core fleet is chartered-in under time charters and, as a result, most operating risks relating to these time chartered vessels reside with their head owners. If Navios pays hire on a chartered-in vessel at a lower rate than the rate of hire it receives from a sub-charterer to whom Navios has chartered out the vessel, a breakdown or loss of the vessel due to an operating risk suffered by the head owner will, in all likelihood, result in Navios' loss of the positive spread between the two rates of hire. Although Navios will have in force a time charterer's interest policy to cover it against the loss of such spread through the sinking or other similar loss of a chartered-in vessel, Navios cannot assure you that it will be covered under all circumstances. In addition, Navios is party to long-term contracts with four commodity houses, ADM, Multigranos, Louis Dreyfus and Gargill that will cover a substantial portion of its silo capacity in the Uruguayan terminal for the next several years, and the loss of or a material change to such contracts could have an adverse effect on Navios' financial condition and results of operations. Breakdowns or accidents involving Navios' vessels and losses relating to chartered vessels which are not covered by their insurance would result in a loss of revenue from the affected vessels leading to a reduction in revenues and earnings.

Although Navios has longstanding relationships with certain Japanese shipowners who provide it access to very competitive contracts, Navios cannot assure you that it will always be able to maintain such relationships or that such contracts will continue to be available in the future

Navios has long-standing relationships with certain Japanese shipowners that give it access to time charters that are currently at very competitive rates and which, in some cases, include options to purchase the vessels at attractive prices relative to the current market. Although Navios has no indication that it may not have such access in the future, Navios cannot assure you that it will have such relationships indefinitely. In addition, there is

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Navios may require additional financing for exercise of vessel purchase options which could dilute existing stockholders

In the future, Navios may be required to make substantial cash outlays to exercise options to acquire vessels and it will need additional financing to cover all or a portion of the purchase prices. Navios intends to cover the cost of exercising such options with new debt collateralized by the vessels to be acquired, but there can be no assurance that Navios will generate sufficient cash or that debt financing will be available. Moreover, the covenants in Navios' senior secured credit facility may make it more difficult to obtain such financing by imposing restrictions on what Navios can offer as collateral. Additional financings, if any, through the issuance of securities would dilute existing stockholders.

## Navios expects to grow its fleet which could increase expenses and losses

Navios expects to grow its fleet, either through sales and purchases or the increase of the number of chartered vessels. The addition of these vessels to the Navios fleet will impose significant additional responsibilities on its management and staff, and may require it to increase the number of its personnel. Navios will also have to increase its customer base to provide continued employment for the new vessels. Navios' growth will depend on:

- locating and acquiring suitable vessels;
- identifying and consummating acquisitions or joint ventures;
- integrating any acquired business successfully with Navios' existing operations;
- enhancing its customer base;
- managing its expansion; and
- obtaining required financing.

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty experienced in obtaining additional qualified personnel, and managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. Navios cannot give any assurance that it will be successful in executing its growth plans or that it will not incur significant expenses and losses in connection therewith.

As Navios expands its business, Navios will need to improve its operations and financial systems, staff, and crew; if it cannot improve these systems or recruit suitable employees, it may not effectively control its operations

Navios' initial operating and financial systems may not be adequate as it implements its plan to expand, and its attempts to improve these systems may be ineffective. If Navios is unable to operate its financial and operations systems effectively or to recruit suitable employees as it expands its operations, it may be unable to effectively control and manage the substantially larger operation. Although it is impossible to predict what errors might occur as the result of inadequate controls, it is the case that it is harder to oversee a sizable operation than a small one and, accordingly, more likely that errors will occur as operations grow and that additional management infrastructure and systems will be required to attempt to avoid such errors.

Vessels may suffer damage and Navios may face unexpected drydocking costs, which could affect its cash flow and financial condition

If Navios' owned vessels suffer damage, they may need to be repaired at Navios' cost at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. Navios may have to pay drydocking costs that insurance does not cover. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, could decrease its revenues and earnings substantially, particularly if a number of vessels are damaged or drydocked at the same time.

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The shipping industry has inherent operational risks that may not be adequately covered by Navios' insurance
Navios has insurance for its fleet against risks commonly insured against by vessel owners and operators, including hull and machinery insurance, war risks insurance and protection and indemnity insurance (which include environmental damage and pollution insurance). Navios can give no assurance that it will be adequately insured against all risks or that its insurers will pay a particular claim. Even if its insurance coverage is adequate to cover its losses, Navios may not be able to timely obtain a replacement vessel in the event of a loss. Furthermore, in the future, Navios may not be able to obtain adequate insurance coverage at reasonable rates for its fleet. Navios may also be subject to calls, or premiums, in amounts based not only on its own claim records but also the claim records of all other members of the protection and indemnity associations through which Navios receives indemnity insurance coverage for tort liability. Navios' insurance policies also contain deductibles, limitations and exclusions which, although management believes are standard in the shipping industry, may nevertheless increase its costs.

## Navios' loan agreement contains restrictive covenants that may limit its liquidity and corporate activities

Navios' loan agreements impose on Navios certain operating and financial restrictions. These restrictions may limit Navios' ability to:

- incur additional indebtedness;
- create liens on its assets;
- make investments;
- engage in mergers or acquisitions;
- pay dividends;
- make capital expenditures;
- change the management of its vessels or terminate or materially amend the management agreements Navios has relating to each vessel; and
- sell any of Navios' vessels.

Therefore, Navios will need to seek permission from its lender in order to engage in some corporate actions. Navios' lender's interests may be different from those of Navios, and Navios cannot guarantee that it will be able to obtain its lender's permission when needed. This may prevent Navios from taking actions that are in its best interest.

## Navios' loan agreement imposes certain conditions on the payment of dividend

Navios is party to a senior secured credit facility with an institutional lender, HSH Nordbank AG for the purpose of financing the Navios acquisition by ISE, the acquisition of four panamax vessels and of the acquisition of vessels through the exercise of purchase options. The terms of the new credit facility contain a number of financial covenants and general covenants that require Navios, among other things, to maintain a certain solvency ratio and minimum equity amounts. Navios may not be permitted to pay dividends under the new credit facility in excess of certain amounts or if it is in default of any of these loan covenants.

Because Navios generates all of its revenues in US dollars but incurs a portion of its expenses in other currencies, exchange rate fluctuations could cause it to suffer exchange rate losses thereby increasing expenses and reducing income

Navios engages in worldwide commerce with a variety of entities. Although, its operations may expose it to certain levels of foreign currency risk, its transactions are predominantly US dollar denominated. Additionally, Navios' wholly-owned Uruguayan subsidiary transacts a nominal amount of its operations in Uruguayan pesos, whereas Navios' wholly-owned vessel subsidiaries and the vessel

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management subsidiary transact a nominal amount of their operations in Euros; however, all of the subsidiaries primary cash flows are US dollar denominated. In 2005 approximately 6\% of Navios' expenses were incurred in currencies other than US dollars. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Expenses incurred in foreign currencies against which the US dollar falls in value can increase, decreasing Navios' income. For example, in the year ended 2005, the value of the US dollar declined by approximately $13 \%$ as compared to the Euro. Navios, as part of its overall risk management policy, attempts to hedge these risks of exchange rate fluctuations. Navios may not always be successful in such hedging activities and, as a result, its operating results could suffer as a result of un-hedged losses incurred as a result of exchange rate fluctuations.

Navios' operations expose it to global political risks, such as wars and political instability, that may interfere with the operation of its vessels causing a decrease in revenues from such vessels

Navios is an international company and primarily conducts its operations outside the United States
Changing economic, political and governmental conditions in the countries where Navios is engaged in business or where its vessels are registered will affect it. In the past, political conflicts, particularly in the Persian Gulf, resulted in attacks on vessels, mining of waterways and other efforts to disrupt shipping in the area. For example, in October 2002, the vessel Limburg was attacked by terrorists in Yemen. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. Following the terrorist attack in New York City on September 11, 2001, and the military response of the United States, the likelihood of future acts of terrorism may increase, and Navios' vessels may face higher risks of being attacked in the Middle East region and interruption of operations causing a decrease in revenues and earnings. In addition, future hostilities or other political instability in regions where Navios' vessels trade could affect its trade patterns and adversely affect its operations by causing delays in shipping on certain routes or making shipping impossible on such routes and thereby causing a decrease in revenues and earnings.

## Navios is incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of

 corporate lawNavios' corporate affairs are governed by its amended and restated articles of incorporation and by-laws and by the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain United States jurisdictions. Shareholder rights may differ as well. Please see the section entitled "Marshall Islands Company Considerations" beginning on page 88 for a brief discussion of the material differences in shareholder protections under Marshall Island law as compared to Delaware law. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public stockholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in the State of Delaware.

Navios, and certain of its officers and directors, may be difficult to serve with process as Navios is incorporated in the Republic of the Marshall Islands and such persons may reside outside of the US

Navios is a corporation organized under the laws of the Republic of the Marshall Islands. Several of our directors and officers are residents of Greece or other non-US jurisdictions. Substantial portions of the assets of these persons and of Navios are located in the Republic of the Marshall Islands, Greece or other non-US jurisdictions. Thus, it may not be possible for investors to affect service of process upon Navios, or its non-US jurisdictions. Thus, it may not be possible for investors to affect service of process upon Navios, or its non-US
directors or officers or to enforce any judgment obtained against these persons in US courts. Also, it may not be possible to enforce US securities laws or judgments obtained in US courts against these persons in a non-US jurisdiction

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## Being a foreign private issuer exempts us from certain Securities and Exchange Commission requirements.

We are a foreign private issuer within the meaning of rules promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"). As such, we are exempt from certain provisions applicable to United States public companies including

- the rules under the Exchange Act requiring the filing with the Commission of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information; and
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any "short-swing" trading transaction (i.e., a purchase and sale, or sale and purchase, of the issuer's equity securities within less than six months).

Because of these exemptions, investors are not afforded the same protections or information generally available to investors holding shares in public companies organized in the United States.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in "Summary" and under the captions "Risk Factors", "Operating and Financial Review Prospects", "Business" and elsewhere in this prospectus constitute "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are not istorical facts, but rather are based on our current expectations, estimates and projections about our industry, our beliefs and assumptions. Words including "may", "could", "would", "will", "anticipates", "expects", "intends", "plans", "projects", "believes", "seeks", "estimates", and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We are not obligated to update these statements or publicly release the result of any revisions to them to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events. For purposes of the information contained in this prospectus, when we state that a risk, uncertainty or problem may, could or would have "a material adverse effect prospectus, when we state that a risk, uncertainty or problem may, could or would have "a material adverse effect
on our business" or words to that effect, we mean that the risk, uncertainty or problem may, could or would have a "material adverse effect on the business, result of operations, financial condition, cash flow or prospects of our company".

## USE OF PROCEEDS

Upon exercise of the publicly traded warrants, if any, if at all, Navios will receive the exercise price of \$5.00 per share in proceeds from the sales described in this prospectus. If all of our outstanding publicly traded warrants were exercised Navios would receive proceeds upon such exercise of $\$ 327,750,000$. However, Navios cannot predict the timing or the amount of the exercise of the warrants. Accordingly, we have not allocated any portion of the potential proceeds to any particular use and any proceeds received will be added to working capital. The company will bear the expenses related to the registration of the issuance of the shares of common stock underlying our publicly traded warrants.

## DIVIDEND POLICY

At the present time, Navios intends to retain most of its available earnings generated by operations for the development and growth of the business. In addition, the terms and provisions of our current secured credit facility limit our ability to pay dividends in excess of certain amounts or if certain covenants are not met. (See also Long Term Debt Obligations and Credit Arrangements on page 46.) However, subject to the approval of lenders, Navios' directors may from time to time consider the payment of dividends. On March 13, 2006, Navios paid a quarterly cash dividend of $\$ 0.0666$ per common share or an aggregate amount of approximately $\$ 3.0$ million in respect of the fourth quarter of 2005 to the stockholders of record as of February 27, 2006

## CURRENT OUTSTANDING SHARE CAPITAL

Navios' authorized capital stock consists of 120,000,000 shares of common stock, par value $\$ .0001$ and $1,000,000$ shares of preferred stock, par value $\$ .0001$. As of April 4, 2006, $45,400,854$ shares of common stock were outstanding. There are no shares of preferred stock currently outstanding. In addition, we have warrants outstanding to purchase $65,550,000$ shares of our common stock. Each warrant entitles the registered holder to purchase one share of our common stock at a price of $\$ 5.00$ per share, subject to adjustment. There are currently no outstanding options to purchase our securities nor have any option plans or other equity compensation plans been adopted.

## PRICE RANGE OF OUR SECURITIES

Currently, the principal trading market for our securities, which includes our common stock, warrants and units, is the Nasdaq National Market under the symbols BULK, BULKW and BULKU,

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respectively. Prior to November 3, 2005, the principal trading market of our securities was the Over-The-Counter Bulletin Board, or the OTCBB.

The following table sets forth, for the periods indicated, the reported high and low quoted closing prices of our common stock, warrants and units on the Nasdaq National Market commencing from November 3, 2005 and prior to such time on the OTC Bulletin Board since December 10, 2004, the date our legal predecessor, ISE, first became a public company. Prior to August 25, 2005, the date ISE acquired us and subsequently merged with and into us, Navios was a privately held company and there was no public trading market for our securities and the information presented below prior to that date reflects the trading activity of ISE, our legal predecessor. The information presented subsequent to August 25,2005 , reflects the trading activity of us for the period subsequent to us becoming a publicly traded company. Prior to December 10, 2004, there was no established public trading market for our common stock.

On April 4, 2006, the closing price of our common stock, warrants and units was $\$ 4.79, \$ 0.55$ and $\$ 5.90$, respectively. The quotations listed below reflect inter-dealer prices, without retail markup, markdown or commission, and may not necessarily represent actual transactions:

|  | Common Stock |  |  |  |  | Warrants |  |  |  |  | Units |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Quarter Ended |  | High |  | Low | $\begin{aligned} & \text { Average } \\ & \text { Daily } \\ & \text { Trading } \\ & \text { Volume } \\ & \hline \end{aligned}$ |  | High |  | Low | $\begin{aligned} & \hline \text { Average } \\ & \text { Daily } \\ & \text { Trading } \\ & \text { Volume } \end{aligned}$ |  | High |  | ow | $\begin{gathered} \hline \text { Average } \\ \text { Daily } \\ \text { Trading } \\ \text { Volume } \end{gathered}$ |
| December 31, 2004 | \$ |  | \$ |  | - |  | - |  | - | - | \$ | 6.90 | \$ | 6.00 | 391,166 |
| March 31, 2005 | \$ | 7.04 | \$ | 5.25 | 175,441 | \$ | 1.96 | \$ | 0.86 | 478,750 | \$ | 10.75 | \$ | 6.50 | 118,375 |
| June 30, 2005 | \$ | 6.15 | \$ | 5.46 | 116,303 | \$ | 1.74 | \$ | 0.67 | 167,063 | \$ | 9.60 | \$ | 6.55 | 145,760 |
| September 30, 2005 | \$ | 6.07 | \$ | 5.66 | 71,806 | \$ | 1.35 | \$ | 0.84 | 142,815 | \$ | 8.73 | \$ |  | 67,140 |
| December 31, 2005 | \$ | 4.83 | \$ | 4.51 | 56,700 | \$ | 1.25 | \$ | 0.58 | 69,453 | \$ | 5.96 | \$ | 5.57 | 109,900 |
| March 31, 2006 |  | 5.12 | \$ | 4.34 | 97,772 |  | 0.63 |  |  | 96,333 | \$ | 6.90 |  |  | 51,159 |

## SELECTED CONSOLIDATED FINANCIAL DATA

The Navios historical successor information is derived from the audited consolidated financial statements of Navios as of December 31, 2005 and for the period from August 26, 2005 to December 31, 2005. The Navios historical predecessor information is derived from the audited consolidated financial statements as of December 31, 2004 and for the period from January 1, 2005 to August 25, 2005 and for each of the two years in the period ended December 31, 2004 included elsewhere in this prospectus. Navios' balance sheet data as of December 31, 2003, 2002 and 2001, and the historical information for the two years ended December 31, 2002 are derived from the financial statements which are not included in this prospectus. The purchase of the net assets of Navios by ISE, through the purchase of all of its outstanding shares of common stock, and the subsequent downstream merger of ISE into Navios took place on August 25, 2005. On December 11, 2002, Navios Corporation completed a business combination with Anemos Maritime Holdings Inc. (Anemos) and Anemos was considered the accounting acquirer in the business combination. The financial statements for the two year period January 1, 2001 to December 31, 2002 include the accounts of Anemos and its wholly-owned subsidiaries for the full year and Navios Corporation for December 11, 2002 through December 31, 2002. The information is only a summary and should be read in conjunction with the historical consolidated financial statements and related notes, to the extent contained elsewhere herein

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| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Pro Forma Combined Year endedDecember 31, 2005 |  | Successor <br> August 26, <br> 2005 to <br> December 31, <br> 2005 |  |  |  | Year ended December 31, (Predecessor) |  |  |  |  |  |  |  |
|  |  |  |  | 2004 |  |  |  | 2003 |  | 2002 |  | 2001 |
|  | (unaudited) |  |  |  | (Expressed in thousands of US Dollars - except per share data) |  |  |  |  |  |  |  |  |  | (unaudited) |  |
| Statement ofOperations Data |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Revenue | \$ | 235,006 | \$ | 76,376 | \$ | 158,630 | \$ | 279,184 | \$ | 179,734 | \$ | 26,759 | \$ | 21,454 |
| Gains and losses from forward freight agreements |  | 103 |  | $(2,766)$ |  | 2,869 |  | 57,746 |  | 51,115 |  | 494 |  | - |
| Time charter voyage and port terminal expense |  | $(131,336)$ |  | $(39,530)$ |  | $(91,806)$ |  | $(180,026)$ |  | (136,551) |  | $(6,139)$ |  | $(1,774)$ |
| Direct vessel expense |  | $(8,787)$ |  | $(3,137)$ |  | $(5,650)$ |  | $(8,224)$ |  | $(10,447)$ |  | $(8,192)$ |  | $(7,439)$ |
| General and administrative expense |  | $(14,546)$ |  | $(4,582)$ |  | $(9,964)$ |  | (12,722) |  | $(11,628)$ |  | $(2,263)$ |  | $(1,234)$ |
| Depreciation and amortization expense |  | $(31,027)$ |  | $(13,582)$ |  | $(3,872)$ |  | $(5,925)$ |  | $(8,857)$ |  | $(6,003)$ |  | $(5,274)$ |
| Gain (loss) on sale of assets |  | - |  | - |  | - |  | 61 |  | $(2,367)$ |  | (127) |  | (430) |
| Interest income |  | 2,513 |  | 1,163 |  | 1,350 |  | 789 |  | 134 |  | 41 |  | 195 |
| Interest expense |  | $(32,698)$ |  | $(11,892)$ |  | $(1,677)$ |  | $(3,450)$ |  | $(5,278)$ |  | $(3,950)$ |  | $(6,104)$ |
| Other income |  | 1,478 |  | 52 |  | 1,426 |  | 374 |  | 1,102 |  | 72 |  | 248 |
| Other expense |  | (983) |  | (226) |  | (757) |  | $(1,438)$ |  | (553) |  | $(6,070)$ |  | $(2,770)$ |
| Income (loss) before minority interest |  | 19,723 |  | 1,876 |  | 50,549 |  | 126,369 |  | 56,404 |  | $(5,378)$ |  | $(3,128)$ |
| Minority interest |  | - |  | - |  | - |  | - |  | $(1,306)$ |  | (324) |  | - |
| Equity in net earnings of affiliate companies |  | 1,073 |  | 285 |  | 788 |  | 763 |  | 403 |  | 68 |  | 96 |
| Net income (loss) | \$ | 20,796 | \$ | 2,161 | S | 51,337 | S | 127,132 | S | 55,501 | \$ | (5,634) | \$ | (3,032) |
| Basic earnings per share | \$ | 0.52 | \$ | 0.05 | S | 58.70 | S | 139.83 | \$ | 55.70 | \$ | (5.63) | S | $(4.38)$ |
| Diluted earnings per share | \$ | 0.50 | \$ | 0.05 | \$ | 58.70 | - | 139.83 | \$ | 55.70 |  | (5.63) | \$ | (4.38) |
| Balance Sheet Data (at period end) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Current assets, including cash |  |  | \$ | 114,539 |  |  | \$ | 187,944 | \$ | 179,403 | \$ | 31,020 | \$ | 4,721 |
| Total assets <br> Current liabilities, including current portion of longterm debt |  |  |  | 789,383 |  |  |  | 333,292 |  | 361,533 |  | 215,800 |  | 161,610 |
|  |  |  |  | 133,604 |  |  |  | 103,527 |  | 136,902 |  | 38,460 |  | 12,204 |
| Total long-term debt, including current portion |  |  |  | 493,400 |  |  |  | 50,506 |  | 98,188 |  | 129,615 |  | 115,972 |
| Mandatory redeemable preferred stock, including current portion |  |  |  | - |  |  |  | - |  | 15,189 |  | 9,435 |  | - |
| Shareholders' equity |  |  |  | 207,758 |  |  |  | 174,791 |  | 96,292 |  | 41,641 |  | 38,272 |


|  | Successor <br> August 26, <br> 2005 to <br> December 31, <br> 2005 |  | Predecessor <br> January 1, August 25, 2005 |  | Year ended December 31, (Predecessor) |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | 2004 | 2003 |  | 2002 |  | 2001 |  |
|  |  |  |  |  |  | essed in tho | usan | ds US Doila | rs- | xcept per s. | hare |  | (unaudited) |  |
| Other Financial Data |  |  |  |  |  |  |  |  |  |  |  |  |
| Net cash provided by operating activities | \$ | 26,081 | \$ | 71,945 | \$ | 137,218 | \$ | 21,452 | \$ | 2,219 | \$ | 7,826 |
| Net cash (used in) provided by investing activities |  | $(121,157)$ |  | $(4,264)$ |  | $(4,967)$ |  | 26,594 |  | $(3,682)$ |  | $(72,616)$ |
| Net cash provided by (used in) financing activities |  | 68,880 |  | $(50,506)$ |  | $(111,943)$ |  | $(29,416)$ |  | 5,474 |  | 61,976 |
| Book value per common share |  | 4.70 |  | 5.67 |  | 192.25 |  | 96.63 |  | 41.64 |  | 55.29 |
| Cash dividends per common share |  | - |  | - |  | 43.99 |  | - |  | - |  | - |
| Cash paid for common stock dividend declared |  | - |  | - |  | 40,000 |  | - |  | - |  | - |
| EBITDA(1) | \$ | 26,537 | \$ | 55,696 | \$ | 135,967 | \$ | 70,376 | \$ | 4,750 | \$ | 11,091 |

(1) EBITDA represents net earnings before interest (income and expense), taxes, depreciation and amortization. EBITDA does not represent and EBITDA may not be comparable to that reported by other companies. EBITDA is included in this prospectus because it is a basis upon which we assess our liquidity position and because we believe that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness.
statements of cash flows, to EBITDA:

| Net Cash from Operating Activities | $\$$ | 26,081 | $\$$ | 71,945 | $\$$ | 137,218 | $\$$ | 21,452 | $\$$ | 2,219 |
| :--- | ---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: | ---: |

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## ISE HISTORICAL FINANCIAL INFORMATION

The ISE historical information is derived from the unaudited financial statements of ISE for the period January 1, 2005 to August 25, 2005, and the audited financial statements of ISE as of December 31, 2004, and for the period from September 17, 2004 (inception) to December 31, 2004. The information is only a summary and should be read in conjunction with the company's historical consolidated financial statements and related notes, to the extent contained elsewhere herein.

| (In thousands, except per share) | Period from January 1, 2005 to August 25, 2005 |  |  |
| :---: | :---: | :---: | :---: |
| Income statement data |  |  |  |
| Loss from operations | (414) | \$ | (77) |
| Interest income | 2,864 |  | 93 |


| Income before provision for income taxes | 2,450 |  | 16 |
| :---: | :---: | :---: | :---: |
| Provision for income taxes | (859) |  | (7) |
| Net income | 1,591 | \$ | 9 |
| Weighted average number of common shares outstanding | 39,900 |  | 12,744 |
| Net income per share basic and diluted | 0.04 | \$ | 0.00 |


|  | August 25, 2005 |  | December 31, 2004 |  |
| :---: | :---: | :---: | :---: | :---: |
| Balance sheet data |  |  |  |  |
| Cash | \$ | 102,259 | \$ | 2,032 |
| Investments held in trust |  | - |  | 180,691 |
| Investment in Navios |  | 593,764 |  | - |
| Total assets |  | 720,035 |  | 182,825 |
| Total liabilities |  | 535,783 |  | 170 |
| Common stock subject to possible conversion |  | - |  | 36,097 |
| Total stockholders' equity |  | 184,252 |  | 146,558 |
| Total liabilities and stockholders' equity |  | 720,035 | \$ | 182,825 |

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## OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following is a discussion of Navios Maritime Holdings Inc. as "Successor" to and as "Predecessor" of the acquisition / reincorporation discussed in the following paragraphs and in Note 3 to the Consolidated Financial Statements as of December 31, 2005, for the period from August 26, 2005 to December 31, 2005 and for the period from January 1, 2005 to August 25, 2005. Also following is a discussion of the Predecessor's company financial condition and results of operations for the fiscal years ended December 31, 2004 and 2003. All of these financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP). You should read this section together with the consolidated financial statements including the notes to those financial statements for the years and periods mentioned above which are included in this prospectus.

This report contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Reform Act of 1995. These forward looking statements are based on Navios' current expectations and observations. Included among the factors that, in our view, could cause actual results to differ materially from the forward looking statements contained in this report are changes in any of the following: (i) charter demand and/or charter rates, (ii) production or demand for the types of dry bulk products that are transported by Navios' vessels, (iii) operating costs including but not limited to changes in crew salaries, insurance, provisions, repairs, maintenance and overhead expenses, or (iv) changes in interest rates.

## Overview

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among ISE, Navios and all the shareholders of Navios, ISE acquired Navios through the purchase of all of the outstanding shares of its common stock. As a result of this acquisition, Navios became a wholly-owned subsidiary of ISE. In addition, on August 25, 2005, simultaneously with the acquisition of Navios, ISE effected a reincorporation from the State of Delaware to the Republic of the Marshall Islands through a downstream merger with and into its newly acquired wholly-owned subsidiary, whose name continued to be Navios. As a result of the reincorporation, ISE transitioned from a shell company to an operating business and the operations of Navios became those of a publicly traded company.

This transaction was recorded in two steps. In step one, ISE recorded the $\$ 594.4$ million total cash purchase price, plus $\$ 14.2$ million in allocable transaction costs, by allocating such cost to the assets acquired in accordance with their fair market value on the acquisition date. The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill. In step two, which immediately followed, ISE effected a "downstream merger" with and into Navios. The assets and liabilities of ISE (which reflected the acquisition of Navios) became the assets and liabilities of Navios. The stockholders' equity of ISE became the stockholders' equity of Navios. The results of operations of Navios to August 25, 2005 are labeled as "Predecessor" and remain as historically reported. The results of operations from August 26, 2005 forward are labeled as "Successor" and reflect the combined operations of Navios and ISE. The Stock Purchase Agreement required a purchase price adjustment based on an EBITDA target for the period January 1, 2005 to August 31, 2005. The $\$ 594.4$ million cash purchase price reflects a preliminary price adjustment based on an EBITDA target included in the agreement and was adjusted by approximately $\$ 0.6$ million based on a final calculation agreed between the in the agreement and was adjusted by approximately
parties, which was paid before December 31, 2005.

Approximately $\$ 412.0$ million of the purchase price was financed from a $\$ 514.4$ million senior secured credit facility, entered into on July 12, 2005 and funded on August 25, 2005, with HSH Nordbank AG. The senior secured credit facility was assumed by Navios in connection with the acquisition and reincorporation and was restructured on December 21, 2005. See also Liquidity and Capital Resources and Note 11 to the Navios Maritime Holdings, Inc. Consolidated Financial Statements for additional information on this facility and its restructuring which occurred on December 21, 2005.

On December 31, 2005, Navios' current assets totaled $\$ 114.5$ million, while current liabilities totaled $\$ 133.6$ million, resulting in a negative working capital position of $\$ 19.1$ million. Navios' cash

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forecast indicates that it will be able to generate sufficient cash during 2006 to make the required principal and interest payments on its indebtedness, provide for normal working capital requirements of its business and remain in a positive cash position.

At the time of the August 25, 2005 acquisition, ISE's senior management anticipated implementing a strategic post-acquisition plan for the relocation of Navios' offices in the United States from South Norwalk, Connecticut to New York City and of its existing offices in Piraeus, Greece to larger offices in Piraeus to house Navios' headquarters and the operations of its subsidiaries. Management has commissioned an internal task force to implement this plan during the first half of 2006. The cost of this relocation plan will include the cost of lease terminations, the write off of leasehold improvements at the offices vacated and severance. On January 21, 2006, Navios moved to its new offices at 85 Akti Miaouli, Piraeus Greece. As a result of this relocation, a provision of $\$ 1.4$ million has been included in the December 31, 2005 consolidated financial statements as part of the purchase accounting. Of that amount, $\$ 0.8$ million remained as an accrual at December 31, 2005.

Navios is one of the leaders in seaborne shipping, specializing in the worldwide carriage, trading, storing, and other related logistics of international dry bulk cargo transportation. For over 50 years, Navios has cooperated with raw materials producers, agricultural traders and exporters, industrial end-users, ship-owners, and charterers. Navios has in-house ship management expertise that allows it to oversee every step of technical management of the owned fleet including the shipping operations throughout the life of the vessel, including, the superintendence of maintenance, repairs and dry-docking of the operated fleet.

Following is the current "core fleet" employment profile, including the newbuilds to be delivered. The current "core fleet" consists of 32 vessels totaling 2.1 million deadweight tons. It includes (a) nine modern Ultra-

Handymax (52,000-55,000 dwt) and six Panamax (70,000-83,000 dwt) vessels which the Company owns, seven Panamax ( $70,000-83,000 \mathrm{dwt}$ ) and two Ultra-Handymax vessels under long-term time charter and eight long term chartered-in vessels (three Ultra-Handymax and five Panamax) scheduled to be delivered on various dates between May 2006 and May 2008. The 24 vessels in current operation aggregate approximately 1.55 million deadweight tons and have an average age of 4.3 years. Navios has currently fixed $78.2 \%$ and $19.2 \%$ of its 2006 and 2007 available days respectively.

## Owned Vessels

| Vessels | Type | Built | DWT | Charter-out Rate (1) | Expiration Date (2) |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Navios Achilles | Ultra Handymax | 2001 | 52,063 | 15,533 | 10/08/2006 |
| Navios Apollon | Ultra Handymax | 2000 | 52,073 | 16,150 | 08/21/2007 |
| Navios Herakles | Ultra Handymax | 2001 | 52,061 | 15,437 | 02/19/2007 |
| Navios Hios | Ultra Handymax | 2003 | 55,180 | 19,237 | 09/15/2006 |
| Navios Ionian | Ultra Handymax | 2000 | 52,068 | 15,152 | 01/25/2007 |
| Navios Kypros | Ultra Handymax | 2003 | 55,222 | 24,063 | 04/27/2006 |
| Navios Meridian | Ultra Handymax | 2002 | 50,316 | 20,045 | 10/15/2006 |
| Navios Mercator | Ultra Handymax | 2002 | 53,553 | 21,175 | 10/01/2006 |
| Navios Libra II | Panamax | 1995 | 70,136 | 17,385 | 07/12/2006 |
| Navios Alegria | Panamax | 2004 | 76,466 | 23,750 | 08/03/2006 |
| Navios Felicity | Panamax | 1997 | 73,857 | 9,144 | 03/25/2007 |
| Navios Gemini S | Panamax | 1994 | 68,636 | 19,000 | 06/15/2006 |
| Navios Arc | Ultra Handymax | 2003 | 53,514 | 15,438 | 03/15/2007 |
| Navios Galaxy I | Panamax | 2001 | 74,195 | 24,062 | 12/25/2007 |
| Navios Magellan | Panamax | 2000 | 74,333 | 14,963 | 02/23/2007 |

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## Long Term Chartered-in Vessels

| Vessels | Type | Built | DWT | Purchase <br> Option (3) | $\begin{gathered} \text { Charter-out } \\ \text { Rate (1) } \\ \hline \end{gathered}$ | Expiration Date (2) |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Navios Horizon | Ultra Handymax | 2001 | 50,346 | Exercised | 12,588 | 05/30/2006 |
| Navios Vector | Ultra Handymax | 2002 | 50,296 | No | 8,811 | 12/17/2007 |
| Navios Aurora | Panamax | 2005 | 75,200 | Yes | 24,063 | 05/27/2008 |
| Navios Cielo | Panamax | 2003 | 75,834 | No | 18,050 | 04/30/2006 |
| Navios Hyperion | Panamax | 2004 | 75,500 | Yes | 15,400 | 01/05/2007 |
| Navios Orbiter | Panamax | 2004 | 76,602 | Yes | 16,150 | 10/16/2006 |
| Navios Orion | Panamax | 2005 | 76,000 | No | 21,175 | 01/15/2007 |
| Navios Star | Panamax | 2002 | 76,662 | Yes | 15,343 | 01/13/2007 |
| Navios Titan | Panamax | 2005 | 82,936 | No | 20,000 | 10/09/2007 |

## Long Term Chartered-in Vessels on Order

| Vessels | Type | To Be Built | Purchase Option | DWT |
| :---: | :---: | :---: | :---: | :---: |
| Navios Astra | Ultra Handymax | 05/2006 | Yes | 53,400 |
| Navios Altair | Panamax | 09/2006 | No | 82,300 |
| Navios TBN | Panamax | 01/2007 | Yes | 75,500 |
| Navios TBN | Ultra Handymax | 04/2007 | Yes | 53,500 |
| Navios TBN | Panamax | 09/2007 | Yes | 82,000 |
| Navios TBN | Panamax | 11/2007 | No | 75,200 |
| Navios TBN | Panamax | 03/2008 | Yes | 76,500 |
| Navios TBN | Ultra Handymax | 05/2008 | No | 55,100 |

(1) Net Time Charter-out Rate per day (net of commissions)
(2) Estimated dates assuming earliest redelivery by charterers
(3) Generally, the Company may exercise its purchase option after three years of service.

At August 25, 2005, Navios had options to purchase 13 vessels of its long term chartered-in fleet, including those to be delivered, of which six have been exercised. During November 2005, Navios concluded two more charter-in contracts with options to purchase these vessels, bringing the total to 15 . More specifically, during September, October and November, 2005, Navios gave notice, to the owners of four Ultra-Handymax vessels and two Panamax vessels, of its intention to exercise the options to purchase the vessels at the option exercise price of approximately $\$ 20$ million each. Notice of intent to exercise was given to the owner of the Navios Horizon, the sixth purchase option vessel, on November 15, 2005. As of December 31, 2005, Navios had executed all exercisable purchase options comprising four Ultra Handymax vessels and two Panamax vessels. The first two of exercisable purchase options comprising four Navios Mercator, were delivered to the Company on November 30,
the option vessels, the Navios Meridian and Nand 2005 and December 30, 2005, respectively, the third option vessel, the Navios Arc, was delivered on February 10, 2006, the fourth vessel, the Navios Galaxy, was delivered on March 23, 2006 and the fifth vessel, the Navios Magellan, was delivered on March 24, 2006. The sixth vessel, the Navios Horizon, is expected to be delivered in April 2006. The total acquisition cost of these six additional vessels is expected to be approximately $\$ 115$ million. Navios believes that the market value of the six vessels is approximately $\$ 200$ million.

On December 19, 2005 Navios concluded an agreement to purchase four Panamax vessels from Maritime Enterprises Management S.A., a company affiliated with the Angeliki Frangou family our Chairman and Chief Executive Officer. On December 22, 2005, Navios took delivery of the first two vessels, the Navios Libra II and the Navios Alegria built in 1995 and 2004 respectively. The third vessel, the Navios Felicity built in 1997, was delivered on December 27, 2005 and the fourth vessel, the Navios Gemini S built in 1994, was delivered on January 5, 2006. The total acquisition cost for the four new vessels including backlogs was $\$ 119.8$ million and was funded (i) with $\$ 13.0$ million of

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Navios' available cash; (ii) with $\$ 80.3$ million from bank financing and (iii) through the issuance of 5,500,854 shares of Navios authorized common stock at $\$ 4.96$ per share for Navios Alegria ( $1,840,923$ shares) and Navios Libra II ( $1,227,282$ shares), $\$ 4.82$ per share for Navios Felicity ( $1,271,114$ shares) and $\$ 4.42$ for Navios Gemini S. ( $1,161,535$ shares).

On December 21, 2005, Navios entered into a senior secured credit facility with HSH Nordbank AG for $\$ 649$ million. The facility restructured the balance of Navios' senior secured credit facility dated July 12, 2005 with HSH Nordbank AG of $\$ 435$ million while the additional $\$ 214$ million represents financing for the acquisition of the six vessels through the exercise of purchase options and the acquisition of the four additional vessels discussed above. Navios believes that the charter revenue, net of expenses, for these vessels will be
sufficient to meet the principal and interest obligations on this new debt and, therefore, Navios' net cash flow will not be negatively impacted. However, the current portion of this new debt will cause current liabilities to exceed current assets.

On December 21, 2005 and in connection with the secured credit facility discussed above, Navios entered into an ISDA (International Swap Dealer Association, Inc.) Agreement with HSH Nordbank AG, providing for (a) interest rate swaps pursuant to which exchanges LIBOR with a fixed rate of $4.74 \%$ (this contract applies for the period from March 2006 to March 2007 on notional amounts starting at $\$ 171$ million and de-escalating down to $\$ 100.5$ million following the loan repayment schedule), and (b) interest rate collar with a cap of $5.00 \%$ and a floor of $4.45 \%$ (this contract applies for the period from March 2007 to June 2008 on notional amounts starting at $\$ 82$ million and de-escalating down to $\$ 13.3$ million in accordance with a loan repayment schedule). The ISDA Agreement is bound by the same securities as the secured credit facility discussed in the preceding paragraph.

Navios' policy has been to take a portfolio approach to managing operating risks. This policy led Navios to time charter-out to various shipping industry counterparties, considered by Navios to be superior credit risks, the 24 vessels that it is presently operating (i.e. vessels owned by Navios or which it has taken into its fleet under charters having a duration of more than 12 months) during 2005 and 2006 for various periods ranging between one and three years. By doing this Navios has aimed to lock-in, subject to credit and operating risks, favorable forward cash flows which it believes will cushion it against unfavorable market conditions. In addition, Navios actively trades additional vessels taken in on shorter term charters of less than 12 months duration as well as Contracts of Affreightment (COA) and Forward Freight Agreements (FFAs).

FFAs are swap agreements covering periods generally ranging from one month to one year and are based on time charter rates or freight rates on specific quoted routes. FFAs are executed either over-the-counter, between parties, or through NOS ASA, a Norwegian clearing house. FFAs are settled in cash monthly based on publicly quoted indices. NOS ASA requires both base and margin collaterals. Certain portions of these collateral funds may be restricted at any given time, as determined by NOS ASA. At the end of each calendar quarter, the fair value of FFAs traded over-the-counter are determined from an index published in London, United Kingdom and the fair value of those FFAs traded with NOS ASA are determined from the NOS' valuation. FFAs are entered into with a view towards maximizing earnings and managing Navios' market exposure.

In 2004 and 2005, this policy had the effect of generating Time Charter Equivalents (TCE) that, while high by the average historical levels of the dry bulk freight market over the last 30 years, were below those which could have been earned had the Navios fleet been operated purely on short term and or spot employment. It could also have the effect of generating higher TCE than spot employment should the dry bulk market experience a downturn over the course of 2005 through 2006.

The average daily chartered-in vessel cost for the Navios long term chartered-in fleet averaged \$9,566 per day, significantly lower than the market revenue earning capacity of the vessels. The average charter-in hire rate per vessel was derived from the amount for long term hire as disclosed in Note 16 to Navios' annual financial statements included elsewhere in this prospectus and was computed by (a) multiplying the (i) daily charter-in rate for each vessel by (ii) number of days the vessel is in operation for the year and (b) dividing such product by the total number of vessel days for the year. These rates exclude gains and losses from FFAs. Furthermore, Navios has the ability to

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increase its owned fleet through in-the-money purchase options exercisable in the near future. Navios believes that existing cash flow generation should allow it access to available financing in the debt markets to exercise its purchase options.

Navios believes that Asian demand for commodities will remain robust on the back of strong expected economic growth. China, which is one of the main importers of most major dry bulk commodities such as iron ore and grains, is expected to continue its rapid growth and urbanization over the next few years. Significant commodities purchases by Asian countries, especially China and India, combined with limited new dry bulk capacity, caused by constraints on available shipyard vessel construction berths and port congestion, should contribute to historically high freight rates for the foreseeable future compared to those that have prevailed for most of the last 30 years, albeit not necessarily at the highest levels reached in 2005.

Navios believes that a decrease in global commodity demand from its current level, and the delivery of dry bulk carrier newbuilds into the world fleet, would have an adverse impact to future revenue and profitability. However, the cost advantage of Navios' long term chartered fleet, which is chartered-in at historically favorable fixed rates, would help to mitigate the impact of any short-term decline in freight rates. The reduced freight rate environment may also have an adverse impact on the value of Navios' owned fleet and the presently in-themoney purchase options. In reaction to a decline in freight rates, available ship financing may also be negatively impacted.

Dry bulk fundamentals remain attractive. The United States, India, Brazil and especially China continue to contribute to strong global economic growth. More specifically, Chinese demand for iron ore, coal and grain and its import and exports of steel products plays a significant part in sustaining dry bulk market at high levels. The high price of oil has contributed to increased movements of steam coal which is expected to continue in the foreseeable future. Additionally, new longer haul trade routes have developed that Navios anticipates should serve to stimulate ton-mile demand while port congestion continues to absorb global fleet tonnage whose growth is limited as shipyard capacity is dominantly allocated to container and tanker building. By entering into fixedrate time charters at charter-in rates much lower than current prevailing rates, Navios has secured a steady earnings structure enabling it to be profitable at low rates.

Navios also owns and operates the largest bulk transfer and storage port facility in Uruguay. While a relatively small portion of the overall enterprise, Navios believes that this terminal is a stable business with strong growth and integration prospects. Operating results for Navios' Uruguay port terminal are highly correlated to South American grain production and export, in particular Paraguayan, Uruguayan and Bolivian production and export. Navios believes that the continuing development of Uruguayan, Paraguayan and Bolivian grain exportation will foster throughput growth and therefore increase revenues at its Nueva Palmira port terminal. Should this development be delayed, grain harvests reduced, or the market experience an overall decrease in the demand for grain, the port terminal operations would be adversely affected.

## Factors Affecting Navios' Results of Operations:

Navios actively manages the risk in its operations by: (i) operating the vessels in its fleet in accordance with all applicable international standards of safety and technical ship management; (ii) enhancing vessel utilization and profitability through an appropriate mix of spot charters (time charters for short-term employment) and contracts of affreightment ("COAs"); (iii) monitoring the financial impact of corporate exposure from both physical and forward freight agreements ("FFAs") transactions; (iv) monitoring market and counterparty credit risk limits; (v) adhering to risk management and operation policies and procedures; and (vi) requiring counterparty credit approvals.

Navios believes that the important measures for analyzing trends in its results of operations consist of the following:

- Market Exposure: Navios manages the size and composition of its fleet, by chartering and owning vessels, to adjust to anticipated changes in market rates. Navios aims to achieve an appropriate balance between owned vessels and long and short term chartered in vessels and
- Available days: Available days is the number of the operating days less the aggregate number of days that the vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.
- Operating days: Operating days is the number of available days in a period less the aggregate number of days that the vessels are off-hire due to any reason, including unforeseen circumstances The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.
- Fleet utilization: Fleet utilization is obtained by dividing the number of operating days during a period by the number of available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.
- Time Charter Equivalents rates ("TCE"): TCE rates are defined as voyage and time charter revenues plus gains or losses on FFA less voyage expenses during a period divided by the number of available days during the period. Navios includes the gains or losses on FFA in the determination of TCE rates as neither voyage and time charter revenues nor gains or losses on FFA are evaluated in isolation. Rather, the two are evaluated together to determine total earnings per day. The TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts, while charter hire rates for vessels on time charters generally are expressed in such amounts.


## Voyage and Time Charter

Revenues are driven primarily by the number of vessels in the fleet, the number of days during which such vessels operate and the amount of daily charter hire rates that the vessels earn under charters, which, in turn, are affected by a number of factors, including:

- the duration of the charters;
- the level of spot market rates at the time of charter
- decisions relating to vessel acquisitions and disposals;
- the amount of time spent positioning vessels;
- the amount of time that vessels spend in dry-dock undergoing repairs and upgrades;
- the age, condition and specifications of the vessels; and
- the aggregate level of supply and demand in the dry bulk shipping industry.

Time charters are available for varying periods, ranging from a single trip (spot charter) to long-term which may be many years. In general, a long-term time charter assures the vessel owner of a consistent stream of revenue. Operating the vessel in the spot market affords the owner greater spot market opportunity, which may result in high rates when vessels are in high demand or low rates when vessel availability exceeds demand. Vessel charter rates are affected by world economics, international events, weather conditions, strikes, governmental policies, supply and demand, and many other factors that might be beyond the control of management.

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Consistent with industry practice, Navios uses time charter equivalent (TCE), revenue which consists of revenue from vessels operating on time charters, or TC revenue, and voyage revenue less voyage expenses from vessels operating on voyage charters in the spot market, as a method of analyzing fluctuations between financial periods and as a method of equating revenue generated from a voyage charter to time charter revenue. TCE revenue also serves as industry standard for measuring revenue and comparing results between geographical regions and among competitors.

Navios operates a fleet of owned Ultra Handymax and Panamax vessels and a fleet of chartered-in Panamax and Ultra Handymax vessels that are employed to provide world wide transportation of bulk commodities under freight contracts and through sub-time charter employment to other leading shipping companies.

The cost to maintain and operate a vessel increases with the age of the vessel. Older vessels are less fuel efficient, cost more to insure and require upgrades from time to time to comply with new regulations. The average age of Navios' owned fleet is 5.4 years. But as such fleet ages or if Navios expands its fleet by acquiring previously owned and older vessels the cost per vessel would be expected to rise and, assuming all else, including rates, remains constant, vessel profitability would be expected to decrease.

## Spot Charters, Contracts of Affreightment (COAs), and Forward Freight Agreements (FFAs)

Navios enhances vessel utilization and profitability through a mix of spot charters, time charters, COA's and strategic backhauls, as follows:

- The operation of voyage charters or spot fixtures for the carriage of a single cargo from load port to discharge port
- The use of COAs, under which Navios contracts to carry a given quantity of cargo between certain load and discharge ports within a stipulated time frame; and
- The use of FFA both as economic hedges in reducing market risk on specific vessels, freight commitments or the overall fleet and in order to increase or reduce the size of its exposure to the dry bulk shipping market.

In addition, Navios, through selecting COAs on what would normally be backhaul or ballast legs, attempts to enhance vessel utilization and profitability. The cargoes are used to position vessels at or near major loading areas (such as the US Gulf) where spot cargoes can readily be obtained. This enables ballast time to be reduced as a percentage of the round voyage. This strategy is referred to as triangulation.

## Contracts of Affreightment (COAs) and Forward Freight Agreements (FFAs)

Navios enters into COAs with major industrial end users of bulk products, primarily in the steel, energy and grain sectors. These contracts are entered into not only with a view to making profit but also as a means of maintaining relationships, obtaining market information and continuing a market presence in this market segment. Navios has adopted a strategy of entering into COAs to carry freight into known loading areas, such as the US Gulf and the Gulf of St. Lawrence, where subsequent spot or voyage charters can be obtained.

Navios may enter into FFAs as economic hedges relating to identifiable ship and/or cargo positions and as economic hedges of transactions that Navios expects to carry out in the normal course of its shipping business. By using FFAs, Navios manages the financial risk associated with fluctuating market conditions. The effectiveness of a hedging relationship is assessed at its inception. If an FFAs qualifies for hedge accounting, any gain or loss on the FFAs is first recognized when measuring the profit or loss of the related transaction. However, at December 31, 2005, 2004 and 2003, none of the open FFAs qualified for hedge accounting and, accordingly, all gains or losses from FFAs were recorded in the statement of operations. FFAs will continue to be so treated and, accordingly, may result in material fluctuations in the results of operations.

FFA cover periods generally ranging from one month to one year and are based on time charter rates or freight rates on specific quoted routes. FFA are executed either over-the-counter, between two

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parties, or through NOS ASA, a Norwegian clearing house. FFAs are settled in cash monthly based on publicly quoted indices. NOS ASA requires both base and margin collaterals. Certain portions of these collateral funds may be restricted at any given time, as determined by NOS ASA. On December 31, 2005, 2004 and 2003, Navios restricted cash with NOS ASA was $\$ 1.0$ million, $\$ 2.8$ million and $\$ 0$ million, respectively.

At the end of each calendar quarter, the fair value of FFAs traded over-the-counter are determined from an index published in London, United Kingdom, and the fair value of those FFAs traded with NOS ASA are determined from the NOS valuation

## Statement of Operations Breakdown by Segment

Navios reports financial information and evaluates its operations by charter revenues and not by vessel type, length of ship employment, customers or type of charter. Navios does not have discrete financial information to evaluate the operating results for each such type of charter. Although revenue can be identified for these types of charters, management cannot and does not identify expenses, profitability or other financial information for these charters. As a result, Navios reviews operating results solely by revenue per day and operating results of the owned and chartered-in fleet and, thus, the Company has determined that it has two reportable segments, Vessel Operations and Port Terminal. The reportable segments reflect the internal organization of Navios and strategic businesses that offer different products and services. The Vessel Operations business consists of transportation and handling of bulk cargoes through ownership, operation, and trading of vessels, freight and FFAs. The Port Terminal business consists of operating a port and transfer station terminal. Navios measures segment performance based on net income. For further segment information, please see the footnotes to the Consolidated Financial Statements.

## Recent Accounting Pronouncements

In March 2005 the U.S. Securities and Exchange Commission, or SEC, released Staff Accounting Bulletin 107, "Share-Based Payments", or SAB 107. The interpretations in SAB 107 express views of the SEC staff, or staff, regarding the interaction between SFAS 123R and certain SEC rules and regulations, and provide the staff's views regarding the valuation of share-based payment arrangements for public companies. In particular, SAB 107 provides guidance related to share-based payment transactions with non-employees, the transition from nonpublic to public entity status, valuation methods (including assumptions such as expected volatility and expected term), the accounting for certain redeemable financial instruments issued under share-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, first-time adoption of SFAS 123R in an interim period, capitalization of compensation cost related to share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements upon adoption of SFAS 123R, the modification of employee share options prior to adoption of SFAS 123R and disclosures in Operating and Financial Review and Prospects subsequent to adoption of SFAS 123R. The adoption of this interpretation will not have an effect on Navios' statement of financial position or results of operations

In March 2005, the Financial Accounting Standards Board (FASB) issued FIN 47 as an interpretation of FASB Statement No. 143, Accounting for Asset Retirement Obligations (FASB No. 143). This interpretation clarifies that the term conditional asset retirement obligation as used in FASB Statement No. 143, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. This interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of this interpretation did not have an effect on Navios' statement of financial position or results of operations.

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In March 2005, the FASB issued Statement No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3. The Statement applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle. Statement No. 154 requires retrospective applications to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. Opinion 20 previously required that most voluntary change in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. Statement No. 154 improves financial reporting because its requirements enhance the consistency of financial information between periods. Navios cannot determine what effect Statement No. 154 will have with regard to any future accounting changes. This statement will be effective for Navios for the fiscal year beginning on January 1, 2006.

On November 3, 2005, FASB issued Financial Staff Position (FSP) numbers 115-1 and 124-1 providing guidance for the application of FAS 115. These FSPs are effective for Navios beginning on January 1, 2006 and address the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. They also state that impairment of investments in debt temporary, and the measurement of an impairment loss. They also state that impairment of investments in debt
securities must be assessed on an individual basis. Adoptions of these interpretations are not expected to have a significant effect on Navios' statement of financial position or results of operations.

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155 (SFAS 155) "Accounting for Certain Hybrid Instruments - an amendment of FASB Statements No. 133 and 140". SFAS 155 amends SFAS 133 to permit fair value measurement for certain hybrid financial instruments that contain an embedded derivative, provides additional guidance on the applicability of SFAS 133 and SFAS 140 to certain financial instruments and subordinated concentrations of credit risk. SFAS 155 is effective for the first fiscal year that begins after September 15, 2006. We are currently evaluating the impact SFAS 155 will have on our consolidated financial statements. This statement will be effective for Navios for the fiscal year beginning on January 1, 2007.

## Critical Accounting Policies

The Navios' consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America, or US GAAP. The preparation of these financial statements requires Navios to make estimates in the application of its accounting policies based on the best assumptions, judgments and opinions of management. Following is a discussion of the accounting policies that involve a higher degree of judgment and the methods of their application that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of its financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. Navios has described below what it believes are its most critical accounting policies that involve a high degree of judgment and the methods of their application. For a description of all of Navios' significant accounting policies, see Note 2 to the Consolidated Financial Statements.

Accounting for derivative financial instruments and hedge activities: Navios enters into dry bulk shipping FFAs as economic hedges relating to identifiable ship and or cargo positions and as economic hedges of transactions Navios expects to carry out in the normal course of its shipping business. By utilizing certain derivative instruments, including dry bulk shipping FFAs, Navios manages the financial risk associated with fluctuating market conditions. In entering into these contracts, Navios has assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts.

Navios also trades dry bulk shipping FFAs with NOS ASA, a Norwegian clearing house. NOS ASA calls for both base and margin collaterals, which are funded by Navios, and which in turn substantially eliminates

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At the end of each calendar quarter, the fair value of dry bulk shipping FFAs traded over-the-counter are determined from an index published in London, United Kingdom and the fair value of those FFAs traded with NOS ASA are determined from the NOS valuation.

Pursuant to SFAS 133, Navios records all its derivative financial instruments and hedges as economic hedges. Since they neither qualify as a hedge nor do they meet the criteria for hedge accounting all gains or losses are reflected in the statement of operations. For the period August 26, 2005 to December 31, 2005 and January 1, 2005 to August 25, 2005 and the years ended December 31, 2004 and 2003, none of the FFAs, foreign exchange contracts or interest rate swaps qualifies for hedge accounting treatment. Accordingly, all gains or losses have been recorded in statement of operations for the periods presented.

Impairment of long-lived assets: Vessels, other fixed assets and other long lived assets held and used by Navios are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. In accordance with FAS 144, management reviews valuations and compares them to the assets carrying amounts. Should the valuations indicate potential impairment, management determines projected undiscounted cash flows for each asset and compares it to its carrying amount. In the event that impairment occurs, an impairment charge is recognized by comparing the asset's carrying amount to its estimated fair value. For the purposes of assessing impairment, long lived-assets are grouped at the lowest levels for which there are separately identifiable cash flows. No impairment loss was recognized for any of the periods presented.

Vessels, net: In connection with the acquisition / reincorporation, vessels owned by Navios (Predecessor) were recorded at fair market values as of August 25,2005 . Vessels acquisitions subsequent to that date are stated at historical cost, which consists of the contract price, any material expenses incurred upon acquisition (improvements and delivery expenses). Subsequent expenditures for major improvements and upgrading are capitalized, provided they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Expenditures for routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight line method over the useful life of the vessels, after considering the estimated residual value. Management estimates the useful life of Navios’ vessels to be 25 years from the vessel's original construction. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is re-estimated to end at the date such regulations become effective.

Dry-docking costs: Navios' vessels are subject to regularly scheduled dry-docking and special surveys which are carried out every 30 or 60 months to coincide with the renewal of the related certificates issued by the Classification Societies, unless a further extension is obtained in rare cases and under certain conditions. The costs of dry-docking and special surveys is deferred and amortized over the above periods or to the next drydocking or special survey date if such has been determined. Unamortized dry-docking or special survey costs of vessels sold are written off to income in the year the vessel is sold. When vessels are acquired the portion of the vessels' capitalized cost that relates to dry-docking or special survey is treated as a separate component of the vessels' cost and is deferred and amortized as above. This cost is determined by reference to the estimated economic benefits to be derived until the next dry-docking or special survey.

Goodwill and Other Intangibles: As required by SFAS No. 142 "Goodwill and Other Intangible Assets", goodwill acquired in a business combination initiated after June 30, 2001 is not to be amortized. Similarly, intangible assets with indefinite lives are not amortized. Rather, SFAS 142 requires that goodwill be tested for impairment at least annually and written down with a charge to operations if the carrying amount exceeds the estimated fair value.

Navios evaluates impairment of goodwill using a two-step process. First, the aggregate fair value of the reporting unit is compared to its carrying amount, including goodwill. If the fair value exceeds the carrying amount, no impairment exists. If the carrying amount of the reporting unit exceeds the fair value, then the implied fair value of the reporting unit's goodwill is compared with its carrying

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amount. The implied fair value is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that unit, as if the unit had been acquired in a business combination and the fair value of the unit was the purchase price. If the carrying amount of the goodwill exceeds the implied fair value, then goodwill impairment is recognized by writing the goodwill down to the implied fair value. Navios determined that there was no impairment of goodwill during the periods August 26, 2005 to December 31, 2005 and January 1, 2005 to August 25, 2005 and for the years ended December 31, 2004 and 2003.

All of Navios' intangible assets were valued at August 25, 2005 in a process that included the use of independent appraisers. The fair value of the trade name was determined based on the "relief from royalty" method which values the trade name based on the estimated amount that a company would have to pay in an arms length transaction in order to use that trade name. The asset is being amortized under the straight line method over 32 years. Other intangibles that are being amortized, such as the amortizable portion of favorable leases, port terminal operating rights, backlog assets and liabilities, would be considered impaired if their fair market value could not be recovered from the future undiscounted cash flows associated with the asset. Vessel purchase options, which are included in favorable lease terms, are not amortized and would be considered impaired if the carrying value of an option, when added to the option price of the vessel, exceeded the fair market value of the vessel.

The intangible asset associated with the favorable lease terms includes an amount of $\$ 20.7$ million related to purchase options for the vessels as of August 25, 2005. This amount is not amortized and should the purchase options be exercised, any unamortized portion of this asset will be capitalized as part of the cost of the vessel and will be depreciated over the remaining useful life of the vessel. As of December 31, 2005, $\$ 50,000$ had been transferred to the acquisiton cost of Navios Meridian.

## NASDAQ Listing:

On October 31, 2005, Navios received the approval of NASDAQ to list its securities on the NASDAQ
National Market System. Navios' common stock, warrants and units commenced trading on the NASDAQ National Market System on November 3, 2005 under the symbols BULK, BULKW and BULKU, respectively.

## For the year ended December 31, 2005 compared to the year ended December 31, 2004

The following table presents combined revenue and expense information for the year ended December 31, 2005. This information was derived from the audited consolidated revenue and expense accounts of Navios as predecessor for the period from January 1 to August 25, 2005 and from the audited consolidated revenue and expense accounts of Navios as successor for the period from August 26 to December 31, 2005.

This combined revenue and expense information is being presented solely to assist comparisons across the years. The successor period for 2005 in the combined statement of operations includes the effect of fair value purchase accounting adjustments. The successor and predecessor periods in the combined revenue and expense account are not comparable as the successor period revenue and expense accounts include increases to certain charges. The principle increases relate to amortization of intangible assets and increased depreciation, all of which arise as a result of recognizing an increase in the fair value of the assets and liabilities acquired from Navios, and increased interest charges arising as a consequence of additional indebtedness to finance the acquisition.

The combined information is a Non-US GAAP financial measure and should not be used in isolation or substitution of the Predecessor and Successor results and are expressed in thousands of US Dollars.

|  | Successor |  | Predecessor |  | Combined |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | August 26, 2005 to December 31, 2005 |  | January 1, 2005 toAugust 25, 2005 |  | $\begin{gathered} \text { Year ended } \\ \text { December 31, } 2005 \end{gathered}$ |  | Year endedDecember 31,2004 |  |
| Revenue | \$ | 76,376 | \$ | 158,630 | \$ | 235,006 | \$ | 279,184 |
| (Loss) gain on FFA's |  | $(2,766)$ |  | 2,869 |  | 103 |  | 57,746 |
| Time charter, voyage and port terminal expenses |  | $(39,530)$ |  | $(91,806)$ |  | $(131,336)$ |  | $(180,026)$ |
| Direct vessel expenses |  | $(3,137)$ |  | $(5,650)$ |  | $(8,787)$ |  | $(8,224)$ |
| General and administrative expenses |  | $(4,582)$ |  | $(9,964)$ |  | $(14,546)$ |  | $(12,722)$ |
| Depreciation and amortization |  | $(13,582)$ |  | $(3,872)$ |  | $(17,454)$ |  | $(5,925)$ |
| Gain on sale of vessels |  | - |  | - |  | - |  | 61 |
| Interest income |  | 1,163 |  | 1,350 |  | 2,513 |  | 789 |
| Interest expense |  | $(11,892)$ |  | $(1,677)$ |  | $(13,569)$ |  | $(3,450)$ |
| Other income |  | 52 |  | 1,426 |  | 1,478 |  | 374 |
| Other expense |  | (226) |  | (757) |  | (983) |  | $(1,438)$ |
| Equity in net earnings of affiliated companies |  | 285 |  | 788 |  | 1,073 |  | 763 |
| Net income | \$ | 2,161 | \$ | 51,337 | \$ | 53,498 | \$ | 127,132 |

Set forth below are selected historical and statistical data for Navios as predecessor (2004) and for the combined company (2005), that the Company believes may be useful in better understanding the Company's financial position and results of operations.

|  | Year ended December 31, |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2005 |  | 2004 |  |
| FLEET DATA |  |  |  |  |
| Available days* |  | 9,147 |  | 11,952 |
| Operating days |  | 9,110 |  | 11,900 |
| Fleet utilization |  | 99.6\% |  | 99.6\% |
| AVERAGE DAILY RESULTS |  |  |  |  |
| Time Charter Equivalents (including FFAs) | \$ | 22,771 | \$ | 25,985 |
| Time Charter Equivalents (excluding FFAs) | \$ | 22,760 | \$ | 21,153 |

* Navios has currently fixed out (i.e. arranged charters for) $78.2 \%$ and $19.2 \%$ of its 2006 and 2007 available days, respectively.

During the year ended December 31, 2005, there were 2,805 fewer available days as compared to 2004. This was the result of the redelivery of chartered-in vessels during 2005. Navios can increase or decrease its fleet's size by chartering-in vessels for long or short-term periods (less than one year). Fleet size will be decreased if charters are not renewed or replaced.

The average Time Charter Equivalent (TCE) rate excluding FFAs for the year ended December 31, 2005 was $\$ 22,760$ per day, $\$ 1,607$ per day higher than the rate for year 2004. This was primarily due to the redelivery of vessels chartered-out at a lower daily rate than the average rate than achieved in 2005.

Revenue: Combined revenue of the predecessor and successor companies decreased to $\$ 235.0$ million for the year ended December 31, 2005 as compared to the $\$ 279.2$ million that the predecessor company recorded for the year ended December 31, 2004. Navios earns revenue from both owned and chartered-in vessels, contracts of affreightment and the port terminal operations. Revenue from vessel operations decreased by approximately $\$ 44.5$ million or $16.4 \%$ to $\$ 227.0$ million for the year ended December 31, 2005 from $\$ 271.5$ for the year ended December 31, 2004 as a result of a reduction in the number of vessels operated by Navios during 2005. Total equivalent vessels employed decreased by $23.2 \%$ from 32.7 vessels for the year ended December 31, 2004 to 25.1 vessels for the year ended December 31, 2005, resulting in 2,805 fewer available days. However, the effec on revenues from the reduction in available days was mitigated by the increase in the 2005 TCE rate to

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$\$ 22,760$ per day or $\$ 1,607$ per day higher than that of 2004. Revenue from the port terminal increased by $\$ 0.4$ million to $\$ 8.0$ million for the year ended December 31, 2005 as compared to $\$ 7.6$ million in 2004. Port terminal throughput volume increased approximately $1.5 \%$ to 2.06 million tons of agricultural and other products for the year ended December 31, 2005 from 2.03 million tons for the year ended December 31, 2004. Navios was able to increase throughput primarily because of an increase in the Uruguayan and Paraguayan soybean crops in 2005 as well as increasing the silo storage capacity to 270,440 tons from September 2005 when a new silo was put into use.

Gains and Losses on FFAs: Income from FFAs decreased by $\$ 57.6$ million to a gain of $\$ 0.1$ million during the year ended December 31, 2005 as compared to $\$ 57.7$ million for all of the year ended December 31, 2004. Navios records the change in the fair value of derivatives at each balance sheet date. None of the FFAs qualified for hedge accounting treatment in the periods presented. Accordingly, changes in the fair value of FFAs were recognized in the statement of operations. The FFAs market has experienced significant volatility in the past few years and, accordingly, recognition of the changes in the fair value of FFAs has, and can, cause significant
volatility in earnings. The extent of the impact on earnings is dependent on two factors: market conditions and Navios' net position in the market. Market conditions were volatile in both periods. As an indicator of volatility, selected Baltic Exchange Panamax time charter average rates are shown below. During the year ended December 31, 2005 Navios completed 302 trades versus 336 trades for the same period in 2004.

|  | $\begin{array}{c}\text { Baltic } \\ \text { Exchange's } \\ \text { Panamax }\end{array}$ |  |
| :--- | :--- | :---: |
| Time Charter |  |  |
| Average Index |  |  |$]$.

(a) Low for 2004
(b) High for 2004
(c) Low for 2005
(d) High for 2005

Time Charter, Voyage and Port Terminal Expense: Time charter and voyage expenses decreased by $\$ 48.7$ million or $27.1 \%$ to $\$ 131.3$ million for the year ended December 31, 2005 as compared to $\$ 180.0$ million for the
year ended December 31, 2004. This was primarily due to the decrease in equivalent vessels from 32.7 for the year ended December 31, 2004 to 25.1 for the year ended December 31, 2005. The average chartered-in rate also decreased from an average of $\$ 16,186$ per day for the year ended December 31, 2004 to $\$ 15,582$ per day for the year ended December 31, 2005.

Direct Vessel Expenses: Direct vessel expenses for operation of the owned fleet increased by $\$ 0.6$ million to $\$ 8.8$ million or $7.3 \%$ for the year ended December 31, 2005 as compared to $\$ 8.2$ million for the year ended December 31, 2004. Direct vessel expenses include crew costs, provisions, deck and engine stores, lubricating oils, insurance premiums, maintenance and repairs. The increase resulted primarily from increased crew salaries and lubricant charges and to the increase of the owned fleet by five vessels during November and December 2005.

General and Administrative Expenses: General and administrative expense increased by $\$ 1.8$ million or $14.2 \%$ from $\$ 12.7$ million for the year ended December 31, 2004 to $\$ 14.5$ million for the year ended December 31,2005 . This increase is attributable to (a) $\$ 1.4$ million of one time severance payments to the former CEO, (b) $\$ 2.3$ million of transaction costs incurred in connection with the sale

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of Navios and (c) $\$ 1.8$ million of legal, audit, consulting and other fees borne by Navios as a publicly listed company. This increase was mitigated by a $\$ 3.0$ million reduction in payroll and office related costs.

Depreciation and Amortization: Depreciation and amortization are not comparable for the predecessor and successor companies. As part of the acquisition of Navios by ISE on August 25, 2005, the dry bulk fleet and port terminal facilities were recorded at their fair market values. The adjusted fixed assets values are being depreciated over the remaining economic useful lives of the individual assets. Amortization for the period from August 26, 2005 onward also includes amortization of the intangible assets recorded on August 25, 2005 as a result of the acquisition of Navios by ISE, with the exception of vessel purchase options and goodwill which are not amortized. The increase in annual depreciation and amortization expense resulting from the acquisition of Navios by ISE at August 25, 2005 and related asset revaluation, is estimated to be approximately $\$ 13.6$ million. See further discussion of Navios' amortization policy under Liquidity and Capital Resources.

Net Interest Expense and Income: Interest expense from August 26, 2005 onward will increase due to the new debt incurred on August 25, 2005 and its restructuring on December 21, 2005. A substantial portion of the new debt was used to finance the acquisition of Navios by ISE and the acquisition of additional vessels. As a result, interest expense for the period from August 26, 2005 to December 31, 2005 is not comparable to periods prior to that date. Navios estimates that, if the acquisition had taken place on January 1, 2005, the annual increase in interest expense on the debt incurred to finance its acquisition by ISE, based on the LIBOR rate at the acquisition date, would be approximately $\$ 19.1$ million. (See Long Term Debt Obligations and Credit Arrangements discussed below). Interest income increased by $\$ 1.7$ million to $\$ 2.5$ million for the year ended December 31, 2005 as compared to $\$ 0.8$ million for the year ended December 31, 2004. This is attributable to higher average cash balances of $\$ 91.5$ million in 2005 as compared to $\$ 62.9$ million in 2004, as well as to higher weighted average interest rate of $3.2 \%$ in 2005 as compared to $1.4 \%$ in 2004

Other Income: Other income increased by $\$ 1.1$ million to $\$ 1.5$ million for the year ended December 31, 2005. This increase is mainly due to favorable marked to market gains realized on the interest rate swaps as the interest rates continue to increase on both the short and long term, as well as the reversals of provisions for arbitration claims against Navios that have been concluded in Navios' favor.

Other Expense: Other expense decreased by $\$ 0.4$ million to $\$ 1.0$ million for the year ended December 31, 2005. This change is mainly due to less realized losses on the settlement of payables raised in other currencies during the year.

## For the year ended December 31, 2004 compared to the year ended December 31, 2003

Revenue: Revenue increased by $\$ 99.5$ million, or $55.4 \%$ to $\$ 279.2$ million for the year ended December 31,2004 as compared to $\$ 179.7$ million for the prior year. Navios earns revenue from freight operations on both owned and chartered-in vessels and the port terminal. Revenue from vessel operations increased by $\$ 98.7$ million, or $57.1 \%$ to $\$ 271.5$ million for the year ended December 31, 2004, compared to $\$ 172.8$ million for the prior year. This increase is principally attributable to increases in the average daily time charter rate to $\$ 25,947$ in 2004 from $\$ 16,242$ in 2003, offset slightly by a decrease in average fleet size from 33.4 vessels to 32.6 vessels.

Gains on FFAs: Income from FFAs increased by $\$ 6.6$ million, or $12.9 \%$, to $\$ 57.7$ million during the year ended December 31, 2004 as compared to $\$ 51.1$ million during the year ended December 31, 2003. This was mainly due to an increase in the volume of trading as well as an overall increase in the market price. The increase in the number of participants in FFAs derivative trading has deepened the market and allowed for higher volume and increased liquidity. In 2004 Navios executed 336 trades compared to 328 in 2003. Additionally, as a representative indicator the average spot value for a standard Baltic type Panamax for 2004 was $\$ 37,750$ per day compared to $\$ 20,150$ per day for 2003.

Management believes that the FFAs market will continue to grow in volume and number of participants as more traditional shipping industry participants and financial institutions enter the

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market place. Freight Investor Services, a London-based broker, estimates that the total number of trades (including both tanker and dry bulk) increased to 8,300 in 2004 from 5,800 in 2003. The increase in the market volume and participation will provide additional liquidity; however, FFAs gains and losses are difficult to forecast as the future levels of volatility and trading are unpredictable.

Management of Navios includes the gains or losses on FFAs in the determination of time charter equivalent ("TCE") rates as neither voyage and time charter revenues nor gains or losses on FFAs are evaluated in isolation, rather the two are evaluated together to determine total earnings per day. This increase in TCE rates was caused by the combination of increased demand for dry bulk transportation by commodities producers and the corresponding lag in dry bulk supply adjustment due to shipyard focus on container and tanker building and port congestion. Management believes this trend is likely to continue albeit not at the extremely high levels the dry bulk market experienced in the first and second quarters of 2004. Global commodities demand is expected to remain strong, especially in Asia. However, shipyard capacity is expected to remain tight due to much of the construction berth capacity being allocated to new buildings of tankers and container ships rather than dry bulk ships. Port infrastructure is expected to continue to cause port congestion in the near term.

Revenues from the port terminal increased by $\$ 0.7$ million, or $10.1 \%$, to $\$ 7.6$ million for the year ended December 31, 2004 as compared to $\$ 6.9$ million for the prior year. This increase was attributable to an increase in terminal throughput volume of approximately $12 \%$ to 2.03 million tons of agricultural and other products held in the terminal from 1.81 million tons of agricultural and other products. Strong development of South American, mainly Uruguayan, Paraguayan and Bolivian, grain exports, resulting in new contracts with global grain companies, account for the rise in volume. Management believes this trend will continue and Navios has invested in an additional silo at the terminal in response to expected increased grain and commodity throughput volume. The silo became operational in the second quarter of 2004 and management believes that it could contribute 500,000 tons of additional annual throughputs.

Time charter, voyage and port terminal expense: Time charter and voyage expenses increased \$43.5 million, or $31.8 \%$, to $\$ 180.0$ million for the year ended December 31,2004 as compared to $\$ 136.5$ million for the prior year. Direct costs from vessel operations increased by $\$ 42.9$ million to $\$ 176.6$ million for the year ended December 31, 2004 as compared to $\$ 133.7$ million for the prior year. Direct costs include expenses related to particular voyages, including time charter hire paid and voyage freight and paid bunkers. The increase was mainly due to higher chartered-in rates for vessels added to the fleet in 2004 as the average time charter hire rate per day increased to $\$ 16,118$ per day in 2004 compared to $\$ 11,157$ per day in 2003. The higher demand from commodity producers for dry bulk capacity was not matched by commensurate supply of new buildings. This
market tightness was further intensified by port congestion that drew vessels out of the market while delayed in ports.

Port terminal expense increased by $\$ 0.6$ million to $\$ 3.4$ million for the year ended December 31, 2004 as compared to $\$ 2.8$ million for the prior year. This increase was attributable primarily to increased labor costs and repair and maintenance expenses. Labor costs increased approximately $\$ 0.22$ million due to higher day laborer staffing levels required to process the higher volume handled over the period ended December 31, 2004. Furthermore, costs of $\$ 0.23$ million were incurred to repair a crane located at the port terminal. Navios expects labor costs to continue to increase due to the addition of the new silos in 2004.

Direct costs represented 64.5\% of revenues for the year ended December 31, 2004 compared to $76.0 \%$ for the prior year.

Direct Vessel Expenses: Direct vessel expenses decreased $\$ 2.2$ million, or $21.2 \%$, to $\$ 8.2$ million for the year ended December 31, 2004 as compared to $\$ 10.4$ million for the prior year. Direct expenses for owned vessels include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs. The decline in direct vessel expense was due to the disposal of three owned vessels and one leased vessel in 2003. Vessel operating days decreased $27.0 \%$ to 2,196 days in 2004 from 3,010 days in 2003.

The decrease in vessel operating days resulted from the sale of three owned vessels during 2003. The decrease was partially offset by an $8.7 \%$ increase in average running costs per day which

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increased to $\$ 3,745$ per day in 2004 from $\$ 3,445$ per day in 2003. The increase in average running cost per day resulted from increased labor, insurance and repair costs. Direct vessel expenses represented $2.9 \%$ of revenues for the year ended December 31, 2004 as compared to $5.8 \%$ for the prior year. Navios has the ability to increase its owned fleet through in-the-money purchase options exercisable in the near future. Navios intends to exercise some of these options and as a result direct vessel expenses are expected to increase in the future.

General and Administrative Expenses: General and administrative expenses increased by $\$ 1.1$ million, or $9.5 \%$, to $\$ 12.7$ million for the year ended December 31,2004 as compared to $\$ 11.6$ million for the prior year. The increase resulted primarily from a $\$ 1.3$ million increase in discretionary bonuses in 2004 to $\$ 3.4$ million as compared to the prior year. Also, professional fees increased $\$ .7$ million primarily as a result of corporate restructuring. Discretionary bonuses increased as additional compensation was awarded to certain employees for their contribution to Navios' strong performance for the year ended December 31, 2004. Increased professional fees were primarily related to the closure of an office that Anemos Maritime Holdings had maintained in London. These increased costs were partially offset by reduced salaries and benefit costs related to the closure of the London office. General and administrative expenses represented $4.6 \%$ of revenues for the year ended December 31,2004 as compared to $6.5 \%$ for the prior year.

Depreciation and Amortization: Depreciation and amortization, which include depreciation of the owned dry bulk fleet and amortization of capital leases, decreased by $\$ 2.9$ million, or $33.0 \%$, to $\$ 5.9$ million for the year ended December 31, 2004 as compared to $\$ 8.8$ million for the prior year. The decrease is primarily due to a reduction in the number of owned and leased vessels in the fleet. In addition, capital lease amortization declined by $\$ 1.9$ million in 2004 as compared to the prior year as a result of the sale of the leased vessel. Depreciation and amortization represented $2.1 \%$ of revenues for the year ended December 31, 2004 as compared to $4.9 \%$ for the prior year. Depreciation and amortization is expected to increase when vessels are acquired from the exercise of the purchase options for several of the vessels in 2005 and 2006.

Net Interest Expense and Income: $\quad$ Net interest expense decreased by $\$ 2.4$ million, or $47.1 \%$, to $\$ 2.7$ million for the year ended December 31, 2004 as compared to $\$ 5.1$ million for the prior year. This decrease is mainly due to a lower average principal amount of bank loans outstanding in 2004 as compared to the prior year as part of the cash generated over the period was used to pre-pay debt. The average outstanding principal amount of bank loans was $\$ 87.7$ million in 2004 compared to $\$ 122.3$ million in 2003. Furthermore, the weighted average effective interest rate on debt decreased to $2.3 \%$ in 2004 from $2.7 \%$ in 2003. Interest income was $\$ 789,000$ for the year ended December 31, 2004 as compared to $\$ 134,000$ for the prior year due to a higher average cash balance and a slightly higher interest rate on deposits. The average cash balance was $\$ 62.6$ million in 2004 compared to $\$ 18.8$ million in 2003. Furthermore, the weighted average effective interest rate on deposits increased to $1.37 \%$ in 2004 from 1.04\% in 2003.

Net Income: Net income increased by $\$ 71.6$ million, or $129.0 \%$, to $\$ 127.1$ million for the year ended December 31, 2004 as compared to $\$ 55.5$ million for the prior year. Net income from vessel operations increased by $\$ 71.2$ million, or $135.4 \%$ to $\$ 123.8$ million for the year ended December 31, 2004 as compared to $\$ 52.6$ million for the prior year. Net income from the port terminal increased by $\$ 0.3$ million, or $10.0 \%$, to $\$ 3.3$ million for the year ended December 31, 2004 as compared to $\$ 3.0$ million for the prior year.

## Liquidity and Capital Resources

Navios has historically financed its capital requirements with cash flows from operations, equity contributions from stockholders and bank term loans. Main uses of funds have been capital expenditures for the acquisition of new vessels, new construction and upgrades at the port terminal, expenditures incurred in connection with ensuring that the owned vessels comply with international and regulatory standards, repayments of bank loans and payments of dividends. Subsequent to its acquisition, Navios anticipates that internally generated cash flows and borrowings under the secured credit facility, which was assumed in the acquisition / reincorporation, will be

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sufficient to fund the operations of the fleet and the port terminal, including working capital requirements. However, See "Exercise of Vessel Purchase Options", "Working Capital Position" and "Long Term Debt Obligations and Credit Arrangements" for further discussion of Navios' working capital position. The successor period for 2005 in the combined statement includes the effect of fair value purchase accounting adjustments. The successor and predecessor periods in the combined cash flow accounts are not comparable as the successor period cash flow accounts include increases to certain charges. The principle increases relate to amortization of intangible assets and increased depreciation, all of which arise as a result of recognizing an increase in the fair value of the assets and liabilities acquired from Navios, and increased interest charges arising as a consequence of additional indebtedness to finance the acquisition.

The following table presents combined cash flow information for the year ended December 31, 2005. This information was derived from the audited consolidated statements of cash flows of Navios as predecessor for the period January 1, 2005 to August 25, 2005 and from the audited consolidated statements of cash flows of Navios as successor for the period August 26, 2005 to December 31, 2005. This combined cash flow information is being presented solely to assist comparisons across the financial periods and are expressed in thousands of US Dollars.

|  | $\begin{gathered} \text { Successor } \\ \text { August } 26, \\ 2005 \mathrm{To} \text {, } \\ \text { December 31, } \\ 2005 \\ \hline \end{gathered}$ |  | $\begin{gathered} \text { Predecessor } \\ \text { January 1, } \\ 2005 \text { To } \\ \text { August 25, } \\ 2005 \end{gathered}$ |  | Combined December 31, 2005 |  | Predecessor Year Ended December 31, 2004 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Net cash provided by operating activities | \$ | 26,081 | \$ | 71,945 | \$ | 98,026 | \$ | 137,218 |
| Net cash used in investing activities |  | $(121,157)$ |  | $(4,264)$ |  | $(125,421)$ |  | $(4,967)$ |
| Net cash provided by (used in) financing activities |  | 68,880 |  | $(50,506)$ |  | 18,374 |  | $(111,943)$ |
| Increase (decrease) in cash and cash equivalents |  | $(26,196)$ |  | 17,175 |  | $(9,021)$ |  | 20,308 |
| Cash and cash equivalents, beginning of the period |  | 63,933 |  | 46,758 |  | 46,758 |  | 26,450 |
| Cash and cash equivalents, end of period | \$ | 37,737 | \$ | 63,933 |  | 37,737 | \$ | 46,758 |

## Cash provided by operating activities for the combined year ended December 31, 2005 as compared to the year ended December 31, 2004:

Net cash provided by operating activities decreased by $\$ 39.2$ million to $\$ 98.0$ million for the year ended December 31, 2005 as compared to $\$ 137.2$ million for the year ended December 31, 2004. The decrease resulted primarily from lower net income in the year ended December 31, 2005 and other factors as discussed below. In determining net cash provided by operating activities, net income is adjusted for the effects of certain non-cash items including depreciation and amortization and unrealized gains and losses on derivatives. Depreciation and amortization, which includes the depreciation of the owned dry bulk fleet and port terminal facilities, is not comparable for the predecessor and successor companies. As part of the acquisition of Navios by ISE, the dry bulk fleet, the assets at Navios' port terminal and intangible assets were written up to fair market value on August 25,2005 . These new values are being depreciated over the remaining economic useful lives of the individual vessels and assets.

Forward Freight Agreements (FFAs) settle on the last working day of each month. Although all outstanding FFAs were marked to market on August 25, 2005, there was no settlement on that date and, therefore, no transfer to accounts receivable or accounts payable. The volume of FFAs derivative trades were curtailed during 2005 based on a strategic management decision to minimize the open positions to curtail the level of volatility prior to the culmination of the acquisition of Navios by International Shipping Enterprises. The fair value of open trades at December 31, 2005 was substantially lower than at December 31, 2004. A large component of the $\$ 47.1$ million marked to market value recorded at December 31, 2004 settled during the year ended December 31, 2005. This

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resulted in the reversals of the $\$ 47.1$ million unrealized gains as of December 31, 2004 being greater than the December 31, 2005 marked to market net asset being recorded of $\$ 6.2$ million.

Accounts receivable decreased by $\$ 3.4$ million from $\$ 17.5$ million at December 31, 2004 to $\$ 14.1$ million for the combined twelve months ended December 31, 2005. The primary reason for this decrease was a change in the amount receivable from FFA trading partners which decreased by $\$ 2.2$ million from $\$ 12.7$ million at the end of December 31, 2004 to $\$ 10.5$ million at the end of December 31, 2005. The corresponding asset resulting from the marked to market valuation related to the FFA derivatives at December 31, 2005, is included in the short term derivative asset on the balance sheet. Although the number of vessels chartered-out have remained constant between the two comparative year ends, the charter-out market rates have dropped during 2005 impacting the value of the outstanding receivables at period ends.

Prepaid expenses and other current assets decreased by $\$ 6.7$ million from $\$ 13.1$ million at December 31, 2004 to $\$ 6.4$ million. The prepaid expenses consist predominantly of freight, chartered-in hire paid in advance and prepaid bunkers fuel on chartered-in vessels which decreased by $\$ 3.9$ million. Prepaid freight increased by $\$ 1.2$ million resulting from one voyage which extended over the December 31, 2005 year end. The prepaid hire on chartered-in vessels decreased by $\$ 4.9$ million as there were seven fewer chartered-in vessels at December 31, 2005 which totaled 15 vessels and 22 vessels at December 31, 2004. Additionally, the average gross hire cost per vessels of $\$ 22,232$ at December 31, 2004 decreased to $\$ 14,678$ by the end of December 31, 2005.

Accounts payable decreased by $\$ 1.0$ million from $\$ 14.9$ million at December 31, 2004 to $\$ 13.9$ million at December 31, 2005. The primary reason for the decrease was a change in the amount due to FFA
trading partners, which decreased by $\$ 2.4$ million, as a result of the decreased number of trades at December 31 2005 as compared to December 31, 2004. The corresponding liability resulting from the marked to market valuation related to the FFA derivatives at December 31, 2005, is included in the short term derivative liability on the balance sheet. With the acquisition of Navios by ISE on August 25, 2005 and the down stream merger which took place on the same day, ISE contributed an accounts payable balance of $\$ 10.5$ million (mainly acquisition costs). During the period from the acquisition date of Navios to December 31, 2005, the majority of the ISE payables were settled.

Accrued expenses increased by $\$ 4.2$ million to $\$ 11.3$ million at December 31, 2005 as compared to $\$ 7.1$ million on December 31, 2004. There are various reasons for this increase, including a $\$ 1.1$ million increase in the accrual of audit fees as a result of Navios transitioning from private company status to a public company. The refinancing of the debt at the end of December 2005 resulted in financing fees being accrued in the amount of $\$ 2.6$ million. The accruals for other professional services also increased by $\$ 1.1$ million also related to the transition from a private company to a public company, a balance of $\$ 0.8$ million in the restructuring accrual and an increase of $\$ 0.7$ million the accrued voyage expenses. These increases were partially offset by the decrease in the accrual for loss making voyages in progress from $\$ 1.3$ million on three vessels on December 31, 2004 to $\$ 0$ million on December 31, 2005. Estimated losses on voyages are provided for in full at the time such losses become evident. The accrual was further reduced by a reduction in payroll accruals of $\$ 1.0$ million. With the acquisition of Navios by ISE on August 25, 2005, and the down stream merger which took place on the same day, ISE contributed an accrued expense balance of $\$ 2.3$ million (mainly accrual of taxes and professional fees). During the period from the acquisition date of Navios to December 31, 2005, the majority of the ISE accrued expenses were settled.

Deferred voyage revenue primarily reflects freight and charter-out amounts collected on voyages that have not been completed. Deferred freight decreased by $\$ 3.7$ million as a result of a reduction in the number of voyages extending over the year ends. There were three voyages at December 31, 2004 amounting to $\$ 5.3$ million compared to one voyage at the end of December 31, 2005 amounting to $\$ 1.6$ million. The deferred hire on chartered-out vessels decreased by $\$ 0.4$ million, however, there was one more chartered-out vessel at December 31, 2005 which totaled 25 vessels compared to 24 vessels at December 31, 2004. Additionally, the average gross hire revenue per vessel of $\$ 225,000$ at December 31, 2004 decreased to $\$ 199,000$ by the end of December 31, 2005.

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Payments on interest rate swaps, as reflected in the derivative accounts, totaled $\$ 1.4$ million for the twelve month period ended December 31, 2005 as compared to $\$ 2.3$ million during the year ended December 31, 2004 Two factors caused this change. First, interest rates on average were lower during 2004 and the liability exposure was consequently greater in terms of the swap arrangements and second, the notional balance applied by the banks to calculate interest decreased over time and is lower in 2005 because of notional principal payments applied to the outstanding balance.

Although the market rates were favorable in term of the Navios portfolio at December 31, 2004, new trades being negotiated through NOS required additional margin deposits. At December 31, 2004 Navios had received $\$ 0.3$ million of cash for a corresponding portfolio gain of $\$ 5.0$ million of which $\$ 1.9$ was an unrealized gain. At December 31, 2005 the market rates had started to decline and although Navios did fewer trades through NOS during 2005, Navios was still called upon to increase the amount of funds on call to $\$ 2.0$ million while the portfolio was showing a loss of $\$ 0.5$ million of which $\$ 0.3$ million was an unrealized gain. This resulted in a $\$ 1.6$ million movement in the unrealized component of the portfolio, from a $\$ 1.9$ million gain to a $\$ 0.3$ million gain.

Navios started trading FFA's through the NOS exchange in April of 2004, so the volume of trades for the twelve months of 2004 compared to 2005 was lower. NOS, as an exchange, have the right to call on its participants to post call margins depending on the marked to market status of the portfolio.

Cash used in investing activities for the combined year ended December 31, 2005 as compared to year ended December 31, 2004:

Cash used in investing activities was $\$ 125.4$ million for the combined year ended December 31, 2005, or an increase of $\$ 120.4$ million from $\$ 5$ million for the year ended December 31, 2004.

In 2005 Navios has made an $\$ 8.3$ million deposit in connection with the acquisition of four purchase option vessels, three of which have already been delivered and the fourth is expected to be delivered in April 2006. No such deposits were made in 2004.

In 2005 Navios paid $\$ 110.8$ million for the acquisition of three new vessels and two purchase option vessels. No vessels were acquired in 2004.

Purchase of property and equipment of $\$ 4.6$ million for the combined year ended December 31, 2005 and $\$ 5.1$ million for the year ended December 31, 2004 represent, in most part, the amounts paid by Navios in accordance with the terms of the purchase agreement for the construction of the new horizontal silo with ancillary equipment during 2005 and four new vertical silos with ancillary equipment during 2004, respectively.

## Cash provided by (used in) financing activities for the combined year ended December 31, 2005 as compared to year ended December 31, 2004:

Cash provided by financing activities was $\$ 18.4$ million for the combined year ended December 31, 2005.
On August 18, 2005, Navios closed out its then existing credit agreements and repaid the $\$ 49.8$ million outstanding as of that date ( $\$ 50.5$ balance as of December 31, 2004). This prepayment of the loan was made using available funds and no penalties were imposed due to early repayment. During the period from August 26 to December 31, 2005, Navios made the scheduled principal payments of $\$ 79.4$ million and $\$ 47.5$ million in connection with the credit agreements signed on July 12, 2005 and December 21, 2005. In addition, Navios also repaid $\$ 8.6$ million to an initial stockholder of ISE who became an officer and principal stockholder of Navios who advanced a total of $\$ 8.6$ million to ISE in the form of a non-interest bearing loan.

The $\$ 102.3$ million cash received from the downstream merger is the cash of ISE as at August 25, 2005, time of the merger with and into Navios, and has derived from the proceeds of the credit agreement signed on July 12, 2005 of $\$ 514.4$ million less the financing of the purchase price of Navios by $\$ 412.1$ million.

The proceeds of $\$ 105.9$ million received from the credit agreement signed on December 21, 2005, and were utilized to partially finance the acquisition of new vessels

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Cash used in financing activities was $\$ 111.9$ million for the year ended December 31, 2004.
During December 2005, the Company refinanced the credit facility obtained on July 12, 2005 (Note 11), which was not accounted for in the same manner as a debt extinguishment. Therefore, fees paid to the bank, in the amount of $\$ 3.8$ million, associated with the new loan, are capitalized as deferred financing costs.

In 2004 Navios refinanced all of its credit facilities with two revolving debt facilities and one term loan. The $\$ 139.2$ million payments were offset by $\$ 91.5$ million in proceeds from the new term loans. $\$ 41$ million was paid down on scheduled principal payments.

During 2004, Navios redeemed all of its mandatorily redeemable preferred stock for $\$ 15.2$ million. There was no outstanding preferred stock as of December 31, 2004. Furthermore, in 2004 Navios redeemed $\$ 9.0$ million of common stock and distributed $\$ 40$ million in dividends to its shareholders.

## Cash provided by operating activities for the years ended December 31, 2004 and 2003

Net cash provided by operating activities increased by $\$ 115.8$ million to $\$ 137.2$ million for the year ended December 31, 2004 as compared to $\$ 21.4$ million for the year ended December 31, 2003. The increase in cash provided by operating activities in 2004 resulted primarily from higher net income and improvements in working capital during the year ended 2004.

In determining net cash provided by operating activities, net income is adjusted for the effects of certain non-cash transactions. The unrealized gain or loss on FFAs that results from recognizing derivatives at fair value at the balance sheet date can be significant non-cash items that affect the reconciliation of net income to cash provided by operating activities. For the year ended December 31, 2004, Navios recognized an unrealized gain on FFAs of $\$ 0.6$ million. For the year ended December 31, 2003, the unrealized gain on FFAs was $\$ 45.9$ million. The significant unrealized gain in 2003 resulted from the company having a net long position in FFA contracts at December 31, 2003 (net long position means more FFA contracts were bought than sold). Navios' net long position was the equivalent of 8.6 vessels for one year. These contracts were purchased prior to and during the very steep increase in the dry bulk market that occurred between September and December 2003. Management considers the Panamax time charter average published by the Baltic Exchange to be a good bellweather indicator of market. During this three month period the Panamax time charter average increased from less than $\$ 20,000$ dollars per day to over $\$ 35,000$ dollars per day.

## Significant changes in working capital were as follows:

## For the years ended December 31, 2004 and 2003

Accounts receivable are comprised of trade accounts receivable as well as amounts due from settlement of FFAs. In 2004, cash provided by operating activities increased by $\$ 2.7$ million as a result of a decrease in accounts receivable. The decrease in accounts receivable is primarily attributable to the fact that at December 31, 2003 there was an unusual receivable balance of $\$ 2.6$ million for coal cargo due from one customer. This amount was paid during 2004.

Prepaid voyage costs consist predominately of charter hire paid in advance and prepaid bunker fuel on time chartered ships. In 2004, cash provided by operating activities increased by $\$ 4.3$ million as a result of a decrease in prepaid voyage costs. Prepaid charter hire decreased $\$ 1.6$ million and prepaid bunker fuel decreased $\$ 2.0$ million. Other miscellaneous prepaid items including insurance premiums decreased $\$ 0.7$ million. These changes reflect the reduction of the number of vessels in the fleet. In total the number of vessels on which the company had prepaid amounts decreased from 32 in 2003 to 22 in 2004.

Accounts payable are comprised of trade accounts payable as well as amounts payable for the settlement of FFAs. In 2004, cash provided by operating activities increased by $\$ 0.7$ million as a result of an increase in accounts payable. The fluctuation occurred in the normal course of business. In 2003, cash provided by operating activities increased by $\$ 10.9$ million as a result of an increase in accounts payable. The increase was primarily a result of an increase in amounts due to FFA trading counterparties of $\$ 9.5$ million.

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Deferred voyage revenue primarily reflects freight and sub-time charter amounts collected on voyages that have not been completed. In 2004, cash provided by operating activities decreased by $\$ 1.8$ million as a result of a decrease in deferred voyage revenue. This decrease is attributable to the fact that the number of vessels generating revenue decreased from 37 in 2003 to 28 in 2004. This is offset by the fact that the average amount of deferred revenue per vessel changed from $\$ 0.4$ million in 2003 to $\$ 0.5$ million per vessel in 2004.

## Cash provided by (used in) investing activities for the years ended December 31, 2004 and 2003

Cash used in investing activities was $\$ 5$ million for the year ended December 31, 2004. \$1.9 million was the remaining amount related to the construction of four vertical silos that were completed during April 2004. An additional $\$ 2.8$ million is classified as fixed assets under construction and represents the amounts paid by Navios in accordance with the terms of purchase agreements entered into for the construction of a new horizontal silo with ancillary equipment for grain storage. Therefore, this amount does not represent the cost of construction as at the balance sheet date. As of December 31, 2004, Navios had outstanding commitments of approximately $\$ 3.2$ million with Dieste \& Montanez S.A. in Uruguay for the construction of such new horizontal silo with ancillary equipment for soybean storage. This new construction will be funded from internally generated cash flow.

Cash provided by investing activities was $\$ 26.6$ million for the year ended December 31, 2003. During 2003, Navios generated $\$ 63$ million in cash from the disposal of four vessels: the M/V Navios Pioneer, the M/V Agios Konstantinos, the M/V Artemis, and the M/V Navios Aegean. Navios paid $\$ 34.3$ million for the acquisition of two vessels: the M/V Navios Kypros and the M/V Navios Hios. An additional $\$ 1.5$ million is classified as fixed assets under construction and represents the amounts paid by Navios in accordance with the terms of purchase agreements entered into for the construction of four new vertical silos. These silos were completed in the second quarter of 2004.

## Cash provided by (used in) financing activities for the years ended December 31, 2004 and 2003

Cash used in financing activities was $\$ 111.9$ million for the year ended December 31, 2004. In 2004, Navios refinanced all of its credit facilities with two revolving debt facilities and one term loan and paid down \$41 million in principal. This resulted in $\$ 139.2$ million in principal payments offset by $\$ 91.5$ million in proceeds from new term loans. In addition, in 2004, Navios redeemed all of its mandatorily redeemable preferred stock for $\$ 15.2$ million. There was no outstanding preferred stock as of December 31, 2004. Furthermore, in 2004 Navios redeemed $\$ 9$ million in common stock and distributed $\$ 40$ million in dividends to its shareholders

Cash used in financing activities was $\$ 29.4$ million for the year ended December 31, 2003. During 2003, Navios repaid $\$ 76.8$ million of outstanding debt primarily associated with the vessels that were disposed of during the year. Navios incurred additional debt of $\$ 45.3$ million in conjunction with the acquisition of the two new vessels. Navios also received approximate $\$ 6.4$ million from the issuance of mandatory redeemable preferred stock offset by scheduled redemptions of $\$ 0.7$ million.

EBITDA: EBITDA represents net income before interest, taxes, depreciation and amortization. Navios uses EBITDA because Navios believes that EBITDA is a basis upon which liquidity can be assessed and because Navios believes that EBITDA presents useful information to investors regarding Navios' ability to service and/or incur indebtedness. Navios also uses EBITDA (i) in its credit agreement to measure compliance with covenants such as interest coverage and debt incurrence; (ii) by prospective and current lessors as well as potential lenders to evaluate potential transactions; and (iii) to evaluate and price potential acquisition candidates.

EBITDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of Navios' results as reported under US GAAP. Some of these limitations are: (i) EBITDA does not reflect changes in, or cash requirements for, working capital needs, and (ii) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and EBITDA does not reflect any cash requirements for such capital expenditures. Because of these limitations, EBITDA should not be considered as a principal indicator of Navios' performance.

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EBITDA decreased by $\$ 53.8$ million to $\$ 82.2$ million for the year ended December 31, 2005 as compared to $\$ 136.0$ million for the year ended December 31, 2004. The major contributor to this unfavorable variance in EBITDA was the substantial gains in FFA trading in the year ended December 31, 2004 of $\$ 57.7$ million as compared to a gain of $\$ 0.1$ million for the year ended December 31, 2005. Excluding results from FFA trading, EBITDA from operations was $\$ 3.8$ million higher in the year ended December 31, 2005 than in the year ended December 31, 2004. The $\$ 3.8$ million increase in EBITDA reflects the reduction in revenues by $\$ 44.2$ million which was mitigated by the decrease in time charter, voyage and port terminal expenses by $\$ 48.7$ million as discussed above.

EBITDA increased by $\$ 65.6$ million, or $94.2 \%$, to $\$ 136$ million for 2004, compared to $\$ 70.4$ million for 2003. This increase is due primarily to the increase in net voyage revenue generated by Navios' fleet as a result of the overall stronger dry bulk market during 2004 as compared to 2003. The increase was offset by the increase in vessel operating expenses and general and administrative expenses for 2004 as compared to 2003.

Long Term Debt Obligations and Credit Arrangements: On August 18, 2005, prior to the closing of the acquisition of Navios by ISE, all amounts outstanding under the predecessor Navios loan facility, in the approximate amount of $\$ 49.8$ million, were paid in full using available predecessor Navios funds. No prepayment penalties were imposed as a result of the prepayment and termination of this credit facility.

The senior secured credit facility with HSH Nordbank AG dated July 12, 2005, was established by ISE to provide a portion of the funds necessary to acquire Navios, and was assumed by Navios in the acquisition/reincorporation. Of the $\$ 514.4$ million borrowed under this facility on August 25, 2005, $\$ 412.0$ million was used in connection with the acquisition of Navios and the balance for general working capital requirements. On December 21, 2005, Navios entered into a senior credit facility with HSH Nordbank AG for $\$ 649$ million which restructured the balance of the above facility of $\$ 435$ million as of that date and also provided additional funds of $\$ 214$ million to finance the acquisition of six vessels through the exercise of purchase options and the acquisition of four Panamax vessels from Maritime Enterprise Management S.A. The interest rate under the facility, depending on the tranche borrowed, is LIBOR or the applicable interest rate swap rate, plus the costs of complying with any applicable regulatory requirements and a margin ranging from $1.5 \%$ to $2.75 \%$ per annum. Amounts drawn under the facility are secured by the assets of Navios. Outstanding amounts under the facility may be prepaid without penalty in multiples of $\$ 1$ million upon 10 days written notice. The facility requires mandatory prepayment of amounts outstanding under the facility in the event of a sale or loss of assets, including the sale of a vessel in the ordinary course of business. The credit facility contains a number of covenants, including covenants limiting the power to, subject to specified exceptions, the payment of dividends and redemptions, mergers and acquisitions, the incurrence of indebtedness and liens, and transactions with affiliates. The credit facility also requires compliance with a number of financial covenants including tangible net worth, debt coverage ratios, specified tangible net worth to the total debt percentages and minimum liquidity. It is an event of default under the credit facility if such covenants are not complied with or if Angeliki Frangou, Navios' Chairman and Chief Executive Officer, beneficially owns less than $20 \%$ of the issued stock or does not remain actively involved in the operating business.

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The principal payments under the credit facility outstanding balance as of December 31, 2005 for the next 5 years and thereafter are as follows:

| Year | Amount in millions of USD |
| :---: | :---: |
| 2006 | 54.2 |
| 2007 | 54.2 |
| 2008 | 54.2 |
| 2009 | 52.7 |
| 2010 | 52.7 |
| 2011 and thereafter | 225.4 |

## Contractual Obligations as at December 31, 2005 (Successor):

| Contractual Obligations | Payment due by period (\$ in millions) |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Total | 1-3 years | 3-5 years | More than 5 years |
| Long term debt - as restructured (i)(ii) | 493.4 | 162.6 | 105.4 | 225.4 |
| Operating Lease Obligations (Time Charters) (ii) | 320.0 | 138.8 | 82.8 | 98.4 |
| Rent Obligations (iii) | 2.0 | 1.1 | 0.7 | 0.2 |

[^1]Greece to larger offices in Piraeus to house Navios' headquarters. Management has commissioned an internal task force to implement this plan. On January 2, 2006 Navios relocated its headquarters to new premises in Piraeus, Greece, which premises are leased by one of Navios'
subsidiaries. The effect of this relocation on future rental obligations will be (in millions). (i) $\$ 1.51-3$ years, (ii) $\$ 1.03-5$ years, and (iii) $\$ 3.5$ subsidiaries. The ef
more than 5 years.

## Exercise of Vessel Purchase Options:

| Vessel Name | Vessel Type | Built | DWT |
| :---: | :---: | :---: | :---: |
| Notice of exercise of option given: |  |  |  |
| Navios Meridian | Ultra-Handymax | 2002 | 50,316 |
| Navios Mercator | Ultra-Handymax | 2002 | 53,553 |
| Navios Galaxy I | Panamax | 2001 | 74,195 |
| Navios Magellan | Panamax | 2000 | 74,333 |
| Navios Horizon | Ultra-Handymax | 2001 | 50,346 |
| Navios Arc | Ultra-Handymax | 2003 | 53,514 |

On August 25, 2005, Navios had options to purchase 13 vessels of its long term chartered-in fleet, including those to be delivered, of which six have been exercised. During November 2005, Navios concluded two more charter-in contracts with options to purchase these vessels, bringing the total to 15 . More specifically, during September, October and November, 2005, Navios gave notice, to the owners of four Ultra-Handymax vessels and two Panamax vessels, of its intention to exercise the options to purchase the vessels at the option exercise price of approximately $\$ 20$ million each. Notice of intent to exercise was given to the owner of the Navios Horizon, the sixth purchase option vessel, on November 15, 2005. As of December 31, 2005, Navios had executed all exercisable purchase options comprising four Ultra Handymax vessels and two Panamax vessels. The first two of the option vessels, the Navios Meridian and Navios Mercator, were delivered to the Company on November 30,

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2005 and December 30, 2005, respectively, the third option vessel, the Navios Arc, was delivered on February 10 2006, the fourth vessel, the Navios Galaxy I, was delivered on March 23, 2006 and the fifth vessel, the Navios Magellan, was delivered on March 24, 2006. The sixth vessel, the Navios Horizon, is expected to be delivered in April 2006. The total acquisition cost of these six additional vessels is expected to be approximately $\$ 115$ million. Navios believes that the market value of the six vessels is approximately $\$ 200$ million. Navios also believes that the charter revenue, net of expenses, for these vessels will be sufficient to meet the principal and interest obligations on this new debt and, therefore, Navios' net cash flow will not be negatively impacted. However, the current portion of this new debt will cause current liabilities to further exceed current assets

Working Capital Position: On December 31, 2005, Navios' current assets totaled $\$ 114.5$ million, while current liabilities totaled $\$ 133.6$ million, resulting in a negative working capital position of $\$ 19.1$ million. Navios' cash forecast indicates that it will generate sufficient cash during 2006 to make the required principal and interest payments on its indebtedness, provide for the normal working capital requirements of the business and remain in a positive cash position during 2006.

While projections indicate that existing cash balances and operating cash flows will be sufficient to service existing indebtedness, Navios continues to review its cash flows with a view toward increasing working capital.

Dividend Policy: At the present time, Navios intends to retain most of its available earnings generated by operations for the development and growth of the business. In addition, the terms and provisions of our current secured credit facility limit our ability to pay dividends in excess of certain amounts or if certain covenants are not met. (See also Long Term Debt Obligations and Credit Arrangements on page 47.) However, subject to the approval of the lenders, Navios' Directors may from time to time consider the payment of dividends and have declared a quarterly cash dividend of $\$ 0.0666$ per common share or an aggregate amount of approximately $\$ 3$ million in respect of the fourth quarter of 2005. paid on March 13, 2006 to stockholders of record as of February 27, 2006.

Concentration of Credit Risk: Concentrations of credit risk with respect to accounts receivables are limited due to Navios' large number of customers, who are internationally dispersed and have a variety of end markets in which they sell. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in Navios' trade receivables. For the periods August 26, 2005 to December 31, 2005 and January 1, 2005 to August 25, 2005, two customers from the vessel operations segment accounted for approximately $14.8 \%$ and $11.9 \%$ each of Navios' revenue, respectively. For the years ended December 31, 2004 and 2003, one customer from the vessels operation segment accounted for approximately $15.92 \%$ and $29.4 \%$ of Navios' revenue, respectively.

Effects of Inflation: Navios does not consider inflation to be a significant risk to the cost of doing business in the foreseeable future. Inflation has a moderate impact on operating expenses, dry docking expenses and corporate overhead

Off-Balance Sheet Arrangements: Charter hire payments to third parties for chartered-in vessels are treated as operating leases for accounting purposes. Navios is also committed to making rental payments under operating leases for its office premises. With the exception of payments made during the year ended December 31, 2005, future minimum rental payments under Navios' non-cancelable operating leases are disclosed in Navios' 2005 Consolidated Financial Statements. As of December 31, 2005, Navios was contingently liable for letters of guarantee and letters of credit amounting to $\$ 0.5$ million issued by various banks in favor of various organizations. These are collateralized by cash deposits which are included as a component of restricted cash. Navios issued guarantees to third parties totaling $\$ 2.3$ million at December 31, 2005, as compared to $\$ 0.1$ million at December 31, 2004, pursuant to which Navios irrevocably and unconditionally guarantees its subsidiaries obligations under the dry bulk shipping FFAs. The guarantees remain in effect for a period of 6 months following the last trade date, which was December 15, 2005.

Related Party Transactions:
Loans from stockholders: Prior to the acquisition and reincorporation of ISE on August 25, 2005, an initial stockholder of ISE, Inc. (who became an officer and principal stockholder of

Navios) advanced a total of $\$ 8.6$ million to ISE in the form of non-interest bearing loans. These funds were used to pay costs related to the acquisition and were repaid by Navios following completion of the August 25, 2005 transaction.

Vessel acquisitions: On December 19, 2005 Navios purchased four Panamax vessels from Maritime Enterprises Management S.A., a company affiliated with the Angeliki Frangou family, our Chairman and Chief Executive Officer. On December 22, 2005 Navios took delivery of the first two vessels the Navios Libra II and the Navios Alegria built in 1995 and 2004, respectively. The third vessel, the Navios Felicity built in 1997 was delivered on December 27, 2005 and the fourth vessel the Navios Gemini S was delivered on January 5, 2006. The total acquisition cost for the four new vessels including backlogs was $\$ 119.8$ million and was funded (i) with $\$ 13.0$ million of Navios' available cash; (ii) with $\$ 80.3$ million from bank financing and (iii) through the issuance of $5,500,854$ shares of Navios authorized capital at $\$ 4.96$ per share for Navios Alegria ( $1,840,923$ shares) and Navios Libra II ( $1,227,282$ shares), $\$ 4.82$ per share for Navios Felicity ( $1,271,114$ shares) and $\$ 4.42$ per share for Navios Gemini S ( $1,161,535$ shares).

Purchase of services: The Company utilizes Acropolis Chartering and Shipping Inc. ("Acropolis") as a broker. Commissions paid to Acropolis for the periods from August 26, 2005 to December 31, 2005 and January 1, 2005 to August 25, 2005 and during the years ended December 31, 2004 and 2003 were $\$ 455, \$ 157$, $\$ 877$ and $\$ 597$, respectively. The Company owns fifty percent of the common stock of Acropolis. During the periods August 26, 2005 to December 31, 2005 and January 1, 2005 to August 25, 2005 and the years ended December

31, 2004 and 2003 Navios received dividends of \$0, \$972, \$699 and \$78, respectively. An amount of \$90 and $\$ 147$ due to Acropolis is included in accounts payable as at December 31, 2005 and 2004, respectively.

During the year ended December 31, 2003, Navios (predecessor) utilized Levant Maritime Company Ltd. ("Levant") as an agent. Agency fees paid to Levant amounted to $\$ 1,003$ for the year ended December 31, 2003. Levant is a company that is not included in the consolidated financial statements. The management of Levant was carried out by one of the Navios (predecessor) executives. Levant ceased to provide services to Navios (predecessor) in 2003.

On January 2, 2006, Navios Corporation and Navios Shipmanagement Inc., two fully owned subsidiaries of Navios, entered into two lease agreements with Goldland Ktimatiki - Ikodomiki - Touristiki and Xenodohiaki Anonimos Eteria, a Greek corporation that is partially owned by relatives of Angeliki Frangou, our Chairman and Anonimos Eteria, a Greek corporation that is partially owned by relatives of Anger. The lease agreements provide for the leasing of two facilities located in Piraeus, Greece, of approximately $2,034.3$ square meters and will house the operations of all of the Company's subsidiaries. The total annual lease payments are EUR 420,000 (approximately US Dollars 500,000) and the lease agreements expire in 2017. The lease payments are subject to annual adjustments starting form the third year which are based on the inflation rate prevailing in Greece as reported by the Greek State at the end of each year.

Loans to shareholders: In November 2002 Navios (predecessor) issued a promissory note for $\$ 367$ to Kastella Trading, Inc. ("Kastella"), a Marshall Islands corporation. Interest was accrued at $4.6 \%$ per year and was payable at the note's due date. Kastella was wholly owned by one of Navios (predecessor) executives. This loan and accrued interest of $\$ 33$ was repaid during 2004.

In January 2002, Navios (predecessor) advanced to one of its shareholders and executives the amount of $\$ 70$. The outstanding balance of $\$ 65$ was fully repaid during 2004. The loan bore interest at a variable rate linked to the Company's investment rate and was secured by the shareholder's ownership in Navios (predecessor), which amounted to 1,500 shares. The interest received during 2004 and 2003 was $\$ 1$ and $\$ 1$ respectively, and is included in the consolidated statement of operations.

In August 2004 Navios (predecessor) advanced to one of its shareholders and executive officers the amount of $\$ 50$. The full amount was repaid during the year. No interest was calculated for the duration of this loan

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Quantitative and Qualitative Disclosure About Market Risks: Navios is exposed to certain risks related to interest rate, foreign currency and charter rate risks. To manage these risks, Navios uses interest rate swaps (for interest rate risk), forward exchange contracts (for foreign currency risk), and FFA's (for charter rate risk).

## Interest Rate Risk:

Debt Instruments - On December 31, 2005 and December 31, 2004, Navios had a total of $\$ 493.4$ million and $\$ 50.5$ million, respectively, in long term indebtedness. The debt is dollar denominated and bears interest at a floating rate. All outstanding debt of the predecessor company was repaid on August 18, 2005. A new senior secured credit facility with HSH Nordbank AG, established by ISE to provide a portion of the funds necessary to acquire Navios, was assumed by Navios in the acquisition / reincorporation. $\$ 514.4$ million was borrowed under this facility on August 25, 2005. The loan was restructured on December 21, 2005, by a new credit facility with HSH Nordbank AG of $\$ 649$ million. Of this amount $\$ 435$ million were fully utilized to refinance the balance of the previous facility while the balance of $\$ 214$ million would be utilized for the acquisition of 10 new vessels. As of December 31, 2005, the Company had drawn down $\$ 105$ million for the acquisition of vessels. The interest rate under the facility, depending on the tranche being borrowed, is LIBOR or the applicable interest rate swap rate, plus the costs of complying with any applicable regulatory requirements and a margin ranging from $1.5 \%$ to $2.75 \%$ per annum. Amounts drawn under the facility are secured by the assets of Navios. The fair market value of Navios fixed rate debt was, and continues to be, its face value. Because the interest on the debt is at a floating rate, changes in interest rates would have no effect on the value of the debt. An increase in the LIBOR rate of 100 basis points would change interest expense for year 2005 by $\$ 0.66$ million.

Interest Rate Swaps - Navios has entered into interest rate swap contracts to hedge its exposure to variability in its floating rate long term debt. Under the terms of the interest rate swaps Navios and the banks agreed to exchange, at specified intervals, the difference between a paying fixed rate and floating rate interest amount calculated by reference to the agreed principal amounts and maturities. The interest rate swaps allow Navios to convert long-term borrowings issued at floating rates into equivalent fixed rates. At December 31, 2005, Navios had entered into three swaps with the Royal Bank of Scotland and one swap with Alpha Bank with a total notional principal amount of $\$ 45.80$ million. The swaps were entered into at various points in 2001 and mature in 2006 and 2010 in the respective amounts of $\$ 23.9$ million and $\$ 21.9$ million. Navios estimates that it would have to pay $\$ 1.5$ million and $\$ 3.1$ million to terminate these agreements as of December 31, 2005 and 2004. Navios' net exposure is based on total floating rate debt less the notional principal of floating to fixed interest rate swaps. A one hundred basis point change in interest rates would increase or decrease interest expense by $\$ 0.9$ million per year as of December 31, 2005. The swaps are set by reference to the difference between the 3 month LIBOR (which is the base rate under Navios' long term borrowings) and the yield on the US ten year treasury bond. The swaps effectively fix interest rates at $5.4 \%$ to $5.65 \%$. However, once market interest rates exceed $7.5 \%$, Navios would only be subject to the market interest rates in excess of the 7.5\%.

On December 21, 2005 and in connection with the secured credit facility, Navios entered into an ISDA Agreement with HSH Nordbank AG, providing for (a) interest rate swaps according to which the company exchanges LIBOR with a fixed rate of $4.74 \%$ (this contract applies for the period from March 2006 to March 2007 on notional amounts starting at $\$ 171$ million and de-escalated down to $\$ 100.5$ million following the loan repayment schedule), and (b) interest rate collar with a cap of $5.00 \%$ and a floor of $4.45 \%$ (this contract applies for the period from March 2007 to June 2008 on notional amounts starting at $\$ 82$ million and deescalated down to $\$ 13.25$ million following the loan repayment schedule).
Foreign Currency Risk:
Foreign Currency Forward Contracts. In general, the shipping industry is a dollar dominated industry. Revenue is set in US dollars, and approximately $94 \%$ of Navios' expenses are also

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incurred in US dollars. To cover expenses incurred in Euros, Navios enters into short term forward exchange contracts. These contracts hedge against the fluctuations of the Euro against the US Dollar. Navios has not entered into any new Foreign Exchange Currency contracts since March 28, 2005. During the period January 1, 2005 to March 28, 2005, Navios purchased $€ 3.0$ million at an average rate of 1.30 with a sales value of $\$ 3.9$ million. During the year ended December 31, 2004, Navios purchased $€ 2.5$ million at an average rate of 1.32 with a sales value of $\$ 3.3$ million. These contracts mature within twelve months of the balance sheet date for all periods. As of December 31, 2005, all contracts had been settled. Certain of the Company expenses are paid in foreign currencies and a one percent change in the exchange rates of the various currencies at December 31, 2005, would increase or decrease net income by less than $\$ 0.1$ million.

## FFAs Derivative Risk:

Forward Freight Agreements (FFAs) - Navios enters into FFAs as economic hedges relating to identifiable ship and/or cargo positions and as economic hedges of transactions that Navios expects to carry out in the normal course of its shipping business. By using FFAs, Navios manages the financial risk associated with fluctuating market conditions. The effectiveness of a hedging relationship is assessed at its inception. If an FFA qualifies for hedge accounting, any gain or loss on the FFA is first recognized when measuring the profit or loss of related transaction. However, for the year ended December 31, 2005 and 2004, none of the FFAs qualified for hedge accounting and, accordingly, all gains or losses from FFAs have been recorded in the statement of operations for such periods. It is anticipated that FFAs will continue to be so treated, and, accordingly, may result in material fluctuation in results from operations.

FFAs generally cover periods ranging from one month to one year and are based on time charter rates or freight rates on specific quoted routes. FFAs are executed either over-the-counter, between two parties, or through

NOS ASA, a Norwegian clearing house. FFAs are settled in cash monthly based on publicly quoted indices. NOS ASA requires both base and margin collaterals. Certain portions of these collateral funds may be restricted at any given time, as determined by NOS ASA. On December 31, 2005 and December 31, 2004, Navios' restricted cash with NOS ASA was $\$ 1.0$ million and $\$ 2.8$ million, respectively

Navios is exposed to market risk in relation to its FFAs and could suffer substantial losses from these activities in the event expectations are incorrect. Navios trades FFAs with an objective of both economically hedging the risk on the fleet, specific vessels or freight commitments and taking advantage of short term fluctuations in market prices. The total principal amount of open FFAs at December 31, 2005 and 2004 was approximately $\$ 1.3$ and $\$ 1.8$ million. A ten percent change in underlying freight market indices would increase or decrease net income by $\$ 2.8$ million as of December 31, 2005.

## BUSINESS INFORMATION ABOUT NAVIOS

## Introduction

Navios is one of the leaders in seaborne shipping, specializing in the worldwide carriage, trading, storing, and other related logistics of international dry bulk cargo transportation. For over 50 years, Navios has worked with raw materials producers, agricultural traders and exporters, industrial end-users, shipowners, and charterers and, more recently, acquired an in-house technical ship management expertise. Navios' core fleet, the average age of which is approximately 4.3 years, consists of a total of 32 vessels, aggregating approximately 2.1 million deadweight tons or dwt. Navios owns nine modern Ultra-Handymax ( $50,000-55,000 \mathrm{dwt}$ ) and six panamax ( $70,000-83,000 \mathrm{dwt}$ ) vessels and operates 17 Panamax ( $70,000-83,000 \mathrm{dwt}$ ) and Ultra-Handymax vessels under long-term time charters, nine of which are currently in operation, with the remaining eight scheduled for delivery at various times between May 2006 and May 2008. Navios has options, many of which are "in the money", to acquire 10 (including one already exercised) of the 17 time chartered vessels. The owned vessels have a substantial net asset value, and the vessels controlled under the in-charters are at rates well below the curren market. Operationally, Navios has, at various times over the last two years, deployed over 50 vessels at any one time, including its core fleet.

Navios also owns and operates the largest bulk transfer and storage port facility in Uruguay. While a relatively small portion of Navios' overall enterprise, management believes that this terminal is a stable business with strong growth and integration prospects.

## The International Dry Bulk Shipping Industry

## ndustry Overview

The marine industry provides the only practicable and cost-effective means of transporting large volumes of basic commodities and finished products over long distances. In 2005, approximately 2.6 billion tons of dry bulk cargo was transported by sea, comprising more than one-third of all international seaborne trade. The breakdown of all seaborne trade by main commodity type is shown below.

World Seaborne Trade 2005

|  | Tons (Million) | \% Total |
| :---: | :---: | :---: |
| All Cargo |  |  |
| Dry Bulk | 2,632 | 35.2\% |
| Liquid (Oils/Gases/Chemicals) | 3,276 | 43.8\% |
| Container Cargo | 1,041 | 13.9\% |
| Non-Container General Cargo | 529 | 7.1\% |
| Total | 7,478 | 100\% |
| Trade in Drybulk Commodities Only |  |  |
| Coal | 688 | 26.1\% |
| Iron Ore | 650 | 24.7\% |
| Grain | 253 | 9.6\% |
| Minor Bulks | 1,041 | 39.6\% |
| Total | 2,632 | 100\% |

## Source: Drewry

Dry bulk cargoes consist primarily of the major and minor bulk commodities. The following is an overview, categorized by cargo type, of the primary trade routes and principal vessel sizes used for shipments of the major (coal, iron, ore and grain) and minor bulk cargoes:

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- Coal. There are two principal types of coal: steam (or thermal) coal and coking (or metallurgical) coal. The main exporters of coal are Australia, South Africa, Indonesia, United States, Colombia, Canada, and China. The main importers of coal are Europe, Japan, South Korea, Taiwan, China, India, and the Middle East. The coking coal market is closely linked to demand from integrated steel makers who use coking coal in blast furnaces to make pig iron which, in turn, is converted into steel. Steam coal is mainly used in the production of electricity, and the transportation of steam coal is the backbone of the Capesize and Panamax markets. Increases in steam coal demand have been significant, as both developed and developing nations require increasing amounts of electric power.
- Iron Ore. Until the start of the 1990s, when it was overtaken by the combined steam and coking coal sectors, iron ore was the largest dry bulk trade. It remains, however, the primary employer of the largest ships in the dry bulk fleet. Used principally as the primary raw material in steel making, iron ore imports are dominated by Europe, Japan, China, South Korea, and the United States. The primary exporters of iron ore are Brazil, Australia and India. Other significant exporters include Canada, Sweden, South Africa, Venezuela, Mauritania, Peru and Chile.
- Grain. The principal exporters of grain are Canada, United States, Europe, Australia, and South America. The principal importers are Japan, South Korea, China, South East Asia, the Middle East, North Africa, and Europe. Grain production is subject to both growing conditions and natural disasters which affect crop yields and demand patterns.
- Minor Bulk Cargoes. Minor bulk cargoes include steel products, forest products, agricultural products, bauxite and alumina, phosphates, petcoke, cement, sugar, salt, minerals, scrap metal, and pig iron. Minor dry bulk cargoes are not a major component of Capesize or Panamax carrier demand, although Panamax vessels also transport cargoes such as bauxite, phosphate rock, sulphur, some fertilizers, various other ores and minerals and a few agribulks.


## Demand for Dry Bulk Vessels

The dry bulk trade is influenced by the underlying demand for the dry bulk commodities which, in turn, is influenced by the level of worldwide economic activity. Generally, growth in gross domestic product, or GDP, and industrial production correlate with peaks in demand for seaborne transportation. The following chart demonstrates a steady increase in world dry cargo trade over the last two decades, with an average increase of 4\% over the last five years:


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Moreover, the dry bulk shipping market over the last two years has displayed strong industry fundamentals, driven primarily by:

- Economic growth and urbanization in China, Russia, Brazil, India, and the Far East, with attendant increases in steel production, power generation, and grain consumption, leading to greater demand for dry bulk shipping;
- Inefficient transportation bottlenecks due to long term under-investment in global transportation infrastructure and high demand for dry bulk commodities; and
- Limited capacity of shipyards due to the orderbook for tankers and container ships, restricting future deliveries of dry bulk newbuildings.

Historically, certain economies have acted from time to time as the "locomotive" of the dry bulk carrier market. In the 1990s, Japan acted as the locomotive with demand for seaborne trade correlating with Japanese industrial production. Currently, China is the main driving force behind the increase in seaborne dry bulk trades and the demand for dry bulk carriers. Chinese imports of coal, iron ore, and, more recently, steel products (China used to be an exporter but, due to its own high demand, now needs to import steel products) have also increased sharply in the last five years, thereby creating additional demand for dry bulk carriers. Management expects India, with its large population, economic growth and urbanization to sustain this trend of greater demand for dry bulk shipping.

Globally, total seaborne trade in all dry bulk commodities increased from 1.97 billion tons in 1999 to 2.63 billion tons in 2005, representing an increase of $33.7 \%$, as shown by the following chart:

Seaborne Drybulk Trade (Million Tons)

| Year | Iron Ore | Steam Coa | Coking Coal | Grains | Major Bulks | Minor Bulk | Total | \% Change |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| 1999 | 431 | 309 | 173 | 220 | 1,133 | 835 | 1,968 | 1.1 |
| 2000 | 454 | 344 | 179 | 230 | 1,207 | 901 | 2,108 | 7.1 |
| 2001 | 452 | 384 | 181 | 234 | 1,251 | 890 | 2,142 | 1.6 |
| 2002 | 484 | 386 | 184 | 245 | 1,299 | 920 | 2,219 | 3.5 |
| 2003 | 524 | 430 | 189 | 240 | 1,383 | 957 | 2,340 | 5.5 |
| 2004 | 587 | 454 | 196 | 248 | 1,485 | 1,057 | 2,543 | 8.7 |
| 2005 | 650 | 485 | 203 | 253 | 1,591 | 1,041 | 2,632 | 3.5 |

Source: Drewry
Another industry measure of vessel demand is ton-miles, which is calculated by multiplying the volume of cargo moved on each route by the distance of such voyage. Between 2000 and 2005, ton-mile demand in the dry bulk sector increased by $31 \%$, to 13,669 billion ton-miles.

Demand by Commodity
(in billion ton-miles)

|  | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Annual average growth rate |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Iron ore | 2,559 | 2,580 | 2,741 | 3,050 | 3,463 | 3,843 | 8\% |
| Coal | 2,477 | 2,532 | 2,583 | 2,856 | 3,510 | 3,724 | 8\% |
| Grain | 1,088 | 1,360 | 1,256 | 1,290 | 1,317 | 1,341 | 4\% |
| Bauxite/Alumina | 204 | 191 | 207 | 228 | 253 | 266 | 5\% |
| Phosrock | 140 | 155 | 167 | 159 | 166 | 171 | 4\% |
| Other Minor Bulks | 3,910 | 3,696 | 3,841 | 3,980 | 4,162 | 4,324 | 2\% |
| Total Demand | 10,378 | 10,514 | 10,795 | 11,563 | 12,871 | 13,669 | 6\% |

Source: Drewry

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## Supply of Dry Bulk Vessels

The global dry bulk carrier fleet is divided into four categories, based on a vessel's carrying capacity. These categories consist of:

- Capesize. These vessels, which are over 88,000 dwt, are the largest size of dry bulk carriers. Capesize vessels typically carry relatively low value cargoes for which large cargo lot sizes are of primary importance. Consequently, Capesize vessels are mainly used to transport iron ore or coal and, to a lesser extent, grains, primarily on long-haul routes. These vessels are not capable of traversing the Panama Canal due to their size and, therefore, lack the flexibility of smaller vessels.
- Panamax. These vessels range in size from 50,000 to $88,000 \mathrm{dwt}$ and are designed with the maximum width that will allow them to travel fully-loaded through the Panama Canal. They are also often engaged in many major international trade routes that do not involve transit through the Panama Canal. Panamax bulk carriers are mainly used to transport major bulk cargoes, such as coal and grain and, to a lesser degree, iron ore, as well as a number of minor bulk cargoes, such as bauxite, petroleum coke, some fertilizers and fertilizer raw materials, and various minerals.
- Handymax and Ultra-Handymax. Vessels in this category range in size from 30,000 to 55,000 dwt and are often equipped with cargo loading and unloading gear, such as cranes, which makes them well suited to call at ports that either are not equipped with gear for loading or discharging of cargo or have
draft restrictions. These vessels can trade on worldwide routes carrying a variety of major and minor bulk cargoes
- Handysize. Vessels in this sector are the smallest (under 30,000 dwt) and carry finished products and minor bulk cargoes, although, increasingly, vessels in this sector are now more limited to trading regionally and in coastal waters.

The supply of dry bulk shipping capacity, measured by the amount of suitable vessel tonnage available to carry cargo, is determined by the size of the existing worldwide dry bulk fleet, the number of new vessels on order, the scrapping of older vessels, and the number of vessels out of active service (i.e., laid up or otherwise not available for hire). In addition to prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping, and laying-up include newbuilding prices, second-hand vessel values in relation to scrap prices, costs of bunkers and other voyage expenses, costs associated with classification society surveys, normal maintenance and insurance coverage, the efficiency and age profile of the existing fleets in the market, and government and industry regulation of maritime transportation practices.

The supply of dry bulk vessels is not only a result of the number of ships in service, but also the operating efficiency of the fleet. For example, during times of very heavy commodity demand, bottlenecks develop in the form of port congestion, which absorbs fleet capacity through delays in loading and discharging of cargo. A particularly extreme example occurred during the steam coal demand boom in 1980, when enormous queues developed at the main coal loading ports in the United States and Australia. A similar situation developed in the second half of 2003, when port delays in Australia and China were estimated to have reduced fleet supply by at least $10 \%$.

As of February 2006, the world's dry bulk fleet totaled 6,239 vessels, aggregating approximately 349.8 million dwt. The average age of the fleet is approximately 16 years. $41 \%$ of the world dry bulk fleet is over 20 years old, while the orderbook for newbuildings represents $20 \%$ of the existing world dry bulk fleet, as shown in the following chart:

|  | Fleet Profile |  |  | Ships Older Than 20 Years of Age |  |  | Orderbook |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | No. of Ships | $\begin{gathered} \text { Dwt } \\ \text { Million } \end{gathered}$ | $\begin{aligned} & \hline \% \text { of } \\ & \text { Fleet } \end{aligned}$ | No. of | $\begin{aligned} & \% \text { of } \\ & \text { Class } \\ & \hline \end{aligned}$ | $\begin{aligned} & \text { Scrap } \\ & \text { Age(1) } \end{aligned}$ | No. of Ships | $\begin{gathered} \text { Dwt } \\ \text { Million } \end{gathered}$ | $\begin{gathered} \hline \% \text { of } \\ \text { Class(2) } \\ \hline \end{gathered}$ |
| Capesize | 662 | 117.0 | 32.9 | 140 | 21.1 | 27 | 129 | 26.1 | 22.3 |
| Panamax | 1,320 | 95.2 | 26.8 | 378 | 28.6 | 24 | 262 | 20.9 | 22.0 |
| Handymax | 2,333 | 99.3 | 28.0 | 1,029 | 44.1 | 26 | 324 | 15.3 | 15.4 |
| Handysize | 1,926 | 43.6 | 12.3 | 1,211 | 62.9 | 28 | 77 | 1.7 | 3.9 |
| Total | 6,241 | 355.1 | 100.0 | 2,758 | 44.2 | 26 | 792 | 64.0 | 18.0 |

(1) Average vessel age at scrapping [1999-2004]
(2) Based on dwt

Source: Drewry
The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. The following table illustrates the scrapping rates of dry bulk carriers for the periods indicated.

|  | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Dry Bulk Carrier Scrapping: |  |  |  |  |  |  |  |
| Capesize (80,000 dwt+) | 78 | 81.9 | 86.1 | 88.6 | 92.8 | 100.1 | 110 |
| No. of vessels | 13 | 4 | 3 | 8 | 2 | 1 | 2 |
| Dwt (in millions) | 1.2 | 0.5 | 0.4 | 0.9 | 0.3 | 0.1 | 0.2 |
| \% of fleet scrapped | 1.5 | 0.6 | 0.5 | 1.0 | 0.3 | 0.1 | 0.1 |
| Panamax (60-80,000 dwt) | 72.6 | 71.1 | 76 | 79.4 | 81 | 87.2 | 94 |
| No. of vessels | 45 | 11 | 28 | 18 | 7 | 1 | 3 |
| Dwt (in millions) | 3 | 0.7 | 1.9 | 1.2 | 0.5 | 0.1 | 0.2 |
| \% of fleet scrapped | 4.1 | 1.0 | 2.5 | 1.5 | 0.6 | 0.11 | 0.1 |
| Handymax (30-60,000 dwt) | 70.9 | 76.3 | 81.1 | 84.9 | 87.2 | 92.4 | 98.6 |
| No. of vessels | 53 | 40 | 40 | 25 | 29 | 0 | 4 |
| Dwt (in millions) | 2.2 | 1.5 | 1.5 | 0.9 | 1.1 | 0 | 0.2 |
| \% of fleet scrapped | 3.1 | 2.0 | 1.9 | 1.1 | 1.3 | 0.0 | 0.1 |
| Handysize (10-30,000 dwt) | 47.4 | 46.4 | 43.4 | 42.8 | 42.7 | 43.3 | 43.6 |
| No. of vessels | 66 | 50 | 62 | 64 | 25 | 5 | 4 |
| Dwt (in millions) | 1.5 | 1.2 | 1.4 | 1.6 | 0.6 | 0.1 | 0.1 |
| \% of fleet scrapped | 3.2 | 2.6 | 3.2 | 3.7 | 1.4 | 0.3 | 0.1 |
| Total | 268.9 | 276.2 | 286.6 | 295.7 | 303.7 | 323.1 | 346.1 |
| No. of vessels | 177 | 105 | 123 | 115 | 63 | 7 | 13 |
| Dwt (in millions) | 8.3 | 3.8 | 5.2 | 4.7 | 2.4 | 0.3 | 1.7 |
| \% of fleet scrapped | 3.1 | 1.4 | 1.8 | 1.6 | 0.8 | 0.1 | 0.1 |

Source: Drewry
The average age at which a vessel is scrapped over the last five years has been 26 years

## Charter Market

Dry bulk carriers are employed in the market through a number of different chartering options. The general terms typically found in these types of contracts are described below

- Bareboat Charter. A bareboat charter involves the use of a vessel usually over longer periods of time ranging over several years. In this case, all voyage related costs, mainly vessel fuel and port dues, as well as all vessel-operating expenses, such as day-today operations, maintenance, crewing, and insurance, are for the charterer's account. The owner of the vessel receives monthly charter hire payments on a U.S. Dollar per diem basis and is responsible only for the payment of capital costs related to the vessel.

Voyage Charter. A voyage charter involves the carriage of a specific amount and type of cargo on a oad port-to-discharge port basis, subject to various cargo handling terms. Most of these charters are of single voyage nature, as trading patterns do not encourage round voyage trading. The owner of the vessel receives one payment derived by multiplying the tonnage of cargo loaded on board by the agreed upon freight rate expressed on a U.S. Dollar per ton basis. The owner is responsible for the payment of all voyage and operating expenses, as well as the capital costs of the vessel.

- Contract of Affreightment. A contract of affreightment, or COA, relates to the carriage of multiple cargoes over the same route and enables the COA holder to nominate different ships to perform the individual voyages. Essentially, it constitutes a series of voyage charters to carry a specified amount of cargo during the term of the COA, which usually spans a number of years. All of the ship's operating expenses, voyage expenses, and capital costs are borne by the ship owner. Freight normally is agreed on a U.S. Dollar per ton basis
- Spot Charter. Spot chartering activity involves chartering either on a single voyage or a trip charter.


## Charter Rates

Charter (or hire) rates paid for dry bulk carriers are generally a function of the underlying balance between vessel supply and demand. Over the past 25 years, dry bulk cargo charter rates have passed through cyclical phases with these changes in the vessel supply-demand imbalance, creating a pattern of rate "peaks" and "troughs." In 2003 and 2004, rates for all sizes of dry bulk carriers strengthened to their highest levels ever. The most crucial driver of this upsurge in charter rates was the high level of demand for raw materials imported by China. Since then, rates have remained at comparatively high levels but have been volatile.

In the time charter market, rates vary depending on the length of the charter period as well as ship specific factors, such as age, speed, and fuel consumption. Generally, short-term time charter rates are higher than longterm charter rates. The market benchmark tends to be a 12 -month time charter rate, based on a modern vessel. The following chart shows one year time charter rates for Handymax, Panamax and Capesize dry bulk carriers between 1996 and the end of 2005.

Time Charter Rates (in U.S. dollars per day)


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In the voyage charter market, rates are influenced by cargo size, commodity, port dues, and canal transit fees, as well as delivery and redelivery regions. In general, larger cargo size is quoted at a lower per ton rate than a smaller cargo size. Routes with costly ports or canals command higher rates than routes with low port dues and no canals to transit. Voyages with a load port within a region that includes ports where vessels usually discharge cargoes or a discharge port within a region with ports where vessels load cargoes would also be quoted at lower rates. These voyages increase vessel utilization by reducing the unloaded portion (or ballast leg) that was included in the calculations of the previous charter back to the loading area.

The Baltic Exchange, an independent organization comprised of shipbrokers, shipping companies, and other shipping players, provides daily independent shipping market information and has created freight rate indices reflecting the average freight rates (that incorporate actual business concluded as well as daily assessments provided to the exchange by a panel of independent shipbrokers) for the major bulk carrier trading routes. These indices include the Baltic Panamax Index (BPI, the index with the longest history), and, more recently, the Baltic Capesize Index (BCI) and the Baltic Handymax Index (BHI).

Accompanying the recent surge in freight rates has been renewed interest in freight forward agreements, or FFAs. An FFA is a freight forward swap agreement between counterparties or entered into over an exchange, where the settlement price designated for a future period is derived from the Baltic Exchange indices. FFAs enable a market participant thereby manage their exposure to a fluctuating market.

## Vessel Prices

The shipping industry is currently in a relatively unusual position. Each of its major sectors dry bulk carriers, tankers, and containerships has been prospering. This has triggered an upsurge in newbuilding activity in each sector. In addition, newbuilding demand is also strong for Liquefied Natural Gas, or LNG, carriers, and other specialized vessels. This is significant because the near term availability of newbuilding berths for vessel delivery before the third and fourth quarters of 2008 is scarce, which directly impacts the supply of new vessels to the market. Thus, the combination of shortage of berth space, rising demand for vessels, and rising raw material costs (especially the price of steel), has greatly increased newbuilding prices.

The following tables present the average prices for both secondhand and newbuilding dry bulk carriers for the periods indicated.

Dry Bulk Carrier Newbuilding Prices (in millions of U.S. dollars)


Dry Bulk Carrier Secondhand Prices


Source: Drewry
In the secondhand market, the steep increase in newbuilding prices and the strength in the charter market have also affected vessel prices. With vessel earnings running at relatively high levels and a limited availability of newbuilding berths, the ability to deliver a vessel early has resulted in increases in secondhand prices, especially for modern tonnage.

## Navios Maritime Holdings Inc.

Navios Corporation, the legal predecessor company to Navios, was incorporated in 1954 as a corporate subsidiary of United States Steel Corporation for the transportation of its iron ore requirements. In the mid-1970s, Navios transformed itself from a captive ore carrier for United States Steel to a third party cargo carrier that, in the mid-1980s, was sold to Fednav Limited, Canada's largest international shipping group. From 1989 until 2002, Navios underwent a series of leveraged management buyouts and corporate restructuring with the support of various shipping groups, while at the same time adapting its business model to suit the changing requirements of the dry bulk shipping market.

Navios Corporation, a Marshall Islands corporation, and Anemos Maritime Holdings, a Cayman Islands company, merged effective December 11, 2002. This business combination marked the transformation of Navios from being primarily an operator of large physical contracts of affreightment, based on relationships with industrial end-users, to a leading international maritime enterprise focused on the transportation and handling of dry bulk cargoes through the ownership, operation, and chartering of vessels. Anemos was incorporated in the Cayman Islands in February 1999 to hold all of the capital stock of certain Cayman Islands and Liberian corporations that owned and operated six older dry bulk vessels in the international shipping market. Anemos was also formed to hold the capital stock of nine Marshall Islands corporations that each contracted with Sanoyas Shipyard in Mizushima, Japan for the construction of a series of dry bulk ultra-handymax vessels. Another subsidiary of Anemos, named Levant Maritime International SA, which was originally incorporated in Liberia but was later redomiciled in the Marshall Islands and re-named Navios ShipManagement Inc., was responsible for the technical management of all vessels owned by Anemos's subsidiaries, including the older vessels, and for the supervision of the construction of the nine newbuildings at the Sanoyas shipyard. Anemos modernized its fleet by selling off the older vessels, as the newbuildings delivered from the shipyard, between 2000 and early 2003. The personnel of Navios ShipManagement Inc. include well educated marine engineers and naval architects experienced in supervising newbuilding construction; four port captains and two marine superintendent engineers, who are all graduates of official Greek merchant marine academies, and
who all served as officers on bulk carriers before assuming responsibilities and gaining relevant experience in shore-side technical ship management.

Today, Navios maintains offices in Piraeus, Greece, Norwalk, Connecticut and Montevideo, Uruguay. Navios' corporate structure is functionally organized: commercial ship management and risk management are conducted through Navios Corporation and its wholly-owned subsidiaries (out of South Norwalk and Piraeus, respectively), while the ownership and technical management of Navios' owned vessels are conducted through Navios Maritime Holdings Inc. and its wholly-owned subsidiaries (out of Piraeus). Navios owns the Nueva Palmira port and transfer facility indirectly through its Uruguayan subsidiary, Corporación Navios Sociedad Anonima, or CNSA. All of Navios' subsidiaries are wholly-owned, except for Acropolis Shipping \& Trading Inc., a charter broker that acts on behalf of both Navios and third parties and of which Navios owns $50 \%$ of the outstanding equity. The remaining $50 \%$ equity of Acropolis is owned by Mr. Stavros Liaros, Acropolis's Chief Executive Officer and a resident of Piraeus, Greece. The chart below sets forth Navios' current corporate structure following the acquisition and reincorporation (all corporations are domiciled in the Republic of the Marshall Islands, except for Acropolis, which is a Liberian corporation, CNSA, which is an Uruguayan company and Hestia Shipping Ltd, which is a Maltese corporation):


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## Business Strategy

Navios' strategy and business model involves the following:

- Operation of a high quality, modern fleet. Navios owns and charters in a modern, high quality fleet, having an average age of approximately 4.3 years, that provides numerous operational advantages, including more efficient cargo operations, lower insurance and vessel maintenance costs, higher levels of fleet productivity, and an efficient operating cost structure;
- Pursue an appropriate balance between vessel ownership and a long-term chartered in fleet. Navios controls, through a combination of vessel ownership and long-term time chartered vessels, approximately 2.1 million dwt in dry bulk tonnage, making Navios one of the largest independent dry bulk operators in the world. Navios' ability, through its longstanding relationships with various shipyards and trading houses, to charter-in vessels at favorable rates allows it to control additional shipping capacity without the capital expenditures required by new vessel acquisition. In addition, having purchase options on 10 of the 17 time chartered vessels (including those to be delivered) permits Navios to determine when is the most commercially opportune time to own or charter-in vessels. Navios intends to monitor developments in the sales and purchase market to maintain the appropriate balance between owned and long-term time chartered vessels;
- Capitalize on Navios' established reputation. Navios believes its reputation and commercial relationships enable it to obtain favorable long-term time charters, step into the market and increase its short term tonnage capacity to several times the capacity of its core fleet, as well as obtain access to freight opportunities through COA arrangements not readily available to other industry participants. This reputation has also enabled Navios to obtain favorable vessel acquisition terms, as reflected in the purchase options contained in many of its long-term charters, which are superior to the prevailing purchase prices in the open vessel sale and purchase market;
- Utilize industry expertise to take advantage of market volatility. The dry bulk shipping market is cyclical and volatile. Navios uses its experience in the industry, sensitivity to trends, and knowledge and expertise as to risk management and FFAs to hedge against, and in some cases, generate profit from, such volatility;
- Maintain high fleet utilization rates. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the days its vessels are off-hire. At 99.6\%, Navios believes that it has one of the highest fleet utilization rates in the industry.
- Maintain customer focus and reputation for service and safety. Navios is recognized by its customers for high quality of its service and safety record. Navios' high standards for performance reliability, and safety provides Navios with an advantageous competitive profile.
- Enhance vessel utilization and profitability through a mix of spot charters, time charters, and COAs and strategic backhaul and triangulation methods. Specifically, this strategy is implemented as follows:
- The operation of voyage charters or spot fixtures for the carriage of a single cargo from load port to discharge port;
- The operation of time charters, whereby the vessel is hired out for a predetermined period but without any specification as to voyages to be performed, with the shipowner being responsible for operating costs and the charterer for voyage costs; and
- The use of COAs, under which Navios contracts to carry a given quantity of cargo between certain load and discharge ports within a stipulated time frame, but does not specify in advance which vessels will be used to perform the voyages.

In addition, Navios attempts, through selecting COAs on what would normally be backhaul or ballast legs, to enhance vessel utilization and, hence, profitability. The cargoes are in such cases used

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to position vessels at or near major loading areas (such as the US Gulf) where spot cargoes can readily be obtained. This reduces ballast time to be reduced as a percentage of the round voyage. This strategy is referred to as triangulation.

Navios is one of relatively few major owners and operators of this type in the dry bulk market, and it is one of the most experienced. In recent years, it has further raised the commercial sophistication of its business model

## Competitive Advantages

Controlling approximately 2.1 million dwt in dry bulk tonnage, Navios is one of the largest independent dry bulk operators in the world. Management believes that Navios occupies a competitive position within the industry in that its reputation in the global dry bulk markets permits it to step in at any time, and take on spot, medium, or long- term freight commitments, depending on its view of future market trends. In addition, many of the longterm charter deals that form the core of Navios' fleet were brought to the attention of Navios prior to their ever being quoted in the open market. Even in the open market, Navios' solid reputation allows it, on very short notice, to take in large amounts of tonnage on a short, medium, or long-term basis. This ability is possessed by relatively few shipowners and operators, and is a direct consequence of Navios' market reputation for reliability in the performance of its obligations in each of its roles as a shipowner, COA operator, and charterer. Navios, therefore, has much greater flexibility than a traditional shipowner or charterer to quickly go "long" or "short" relative to the dry bulk markets.

Navios' long involvement and reputation for reliability in the Asian region have also allowed the company to develop its privileged relationships with many of the largest trading houses in Japan, such as Marubeni Corporation and Mitsui \& Co. Through these institutional relationships, Navios obtains relatively low-cost, longterm charter deals, with options to extend time charters on the majority of its vessels, and purchase the vessels transactions. Through its established reputation and relationships, Navios has access to opportunities not readily available to most other industry participants who lack Navios' brand recognition, credibility, and track record.

In addition to its superior and long-standing reputation and flexible business model, management believes that Navios is well positioned in the dry bulk market on the basis of the following factors:

- A high quality, modern fleet of vessels that provides a variety of operational advantages, such as lower insurance premiums, higher levels of productivity, and efficient operating cost structures, as well as a competitive advantage over owners of older fleets, especially in the time charter market, where age and quality of a vessel are of significant importance in competing for business;
- A core fleet which has been chartered in (through 2017, assuming all available charter extension periods are exercised) on attractive terms (based mostly on prices locked-in before the upswing in rates began in 2003) that allow Navios to charter-out the vessels at a considerable spread during strong markets and to weather down cycles in the market while maintaining low operating expenses;
- Strong cash flows from creditworthy counterparties;
- Strong commercial relationships with both freight customers and Japanese trading houses and ship owners, providing Navios with an entrée to future attractive long-term time charters on newbuildings with valuable purchase options; and
- Visibility into worldwide commodity flows through its physical shipping operations and terminal operations in Uruguay.

Management intends to maintain and build on this qualitative advantage, while at the same time continuing to benefit from Navios' favorable reputation and capacity position.

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## Shipping Operations

Navios' Fleet. Navios operates a core fleet of vessels that represents a store of embedded value in today's strong dry bulk market. This fleet is comprised of nine modern owned Ultra-Handymax and six owned panamax vessels and 17 Ultra-Handymax and Panamax vessels ( 10 of which have purchase options that are "in the money"') chartered in at rates well below the market.

Owned Fleet. Navios owns a fleet of nine modern Ultra-Handymax and six Panamax vessels whose technical specifications and youth distinguish them in a market where approximately $25 \%$ of the dry bulk world fleet is composed of $20+$ year-old ships. With an average age of approximately 5.4 years, the owned vessels have a substantial net asset value.

| Vessel Name | Vessel Type | Year Built | Deadweight |
| :---: | :---: | :---: | :---: |
|  |  |  | (in metric tons) |
| Navios Hios | Ultra Handymax | 2003 | 55,180 |
| Navios Kypros | Ultra Handymax | 2003 | 55,222 |
| Navios Mercator | Ultra Handymax | 2002 | 53,553 |
| Navios Arc | Ultra Handymax | 2003 | 53,514 |
| Navios Meridian | Ultra Handymax | 2002 | 50,316 |
| Navios Apollon | Ultra Handymax | 2000 | 52,073 |
| Navios Ionian | Ultra Handymax | 2000 | 52,068 |
| Navios Achilles | Ultra Handymax | 2001 | 52,063 |
| Navios Herakles | Ultra Handymax | 2001 | 52,061 |
| Navios Alegria | Panamax | 2004 | 76,466 |
| Navios Magellan | Panamax | 2000 | 74,333 |
| Navios Galaxy I | Panamax | 2001 | 74,195 |
| Navios Felicity | Panamax | 1997 | 73,857 |
| Navios Libra II | Panamax | 1995 | 70,135 |
| Navios Gemini S | Panamax | 1994 | 68,636 |

Six of the owned Ultra Handymax vessels are substantially identical sister vessels (they were all built at the Sanoyas Shipyard in Japan) and as a result, Navios has built-in economies of scale with respect to technical ship management. Further, they have been built to technical specifications that far exceed those of comparable tonnage in the marketplace today.

Four of the nine Ultra Handymax vessels each have five cranes (which is more than the industry standard), allowing for increased loading and discharging rates, thereby increasing the efficiency of vessel operations.

All owned Ultra Handymax vessels are equipped with cranes that have 30 and 35 metric tons of lifting capacity, allowing for lifting of different types of heavy cargoes, thereby increasing the vessels' trading flexibility and efficiency

Six of the nine Ultra Handymax owned vessels have CO2 fittings throughout all cargo holds, allowing for the loading of a variety of special cargoes (such as timber and wood pulp), thereby enhancing he potential trading routes and profitability of the vessels.

Six of the nine Ultra Handymax vessels each have the tank top strengths in all holds are of $24 \mathrm{mt} / \mathrm{m} 2$, also allowing for the carriage of heavy cargoes.

Long Term Fleet. In addition to the 15 owned vessels, as of December 31, 2005, Navios operates a fleet of 17 Panamax (68,000-83,000 dwt) and Ultra-Handymax (50,000-55,000 dwt) vessels under long-term time charters, having an average age of approximately 3 years. Of the 17 chartered vessels, nine are currently in operation and eight are scheduled for delivery at various times from May 2006 to May 2008, as set forth in the following table:

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| Vessel Name | Year BuiltYard | $\begin{gathered} \text { Deadweight } \\ \text { (in metric tons) } \end{gathered}$ | Delivery Date of Vessel | Time Charter Period | Purchase Option |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | ULTRA | HANDYMAXES |  |  |
| Navios Astra | 2006/Imabari | 53,400 | May, 2006 | 7 years +2 years option | Yes |
| Navios TBN | 2007/Imabari | 53,500 | 2007 | 5 years + 3 years option | Yes |
| Navios Horizon | 2001/Mitsui | 50,346 | April, 2006 | 5 years +3 years option | Exercised |
| Navios Vector | 2002/Mitsui | 50,296 | October 17, 2002 | 5 years +3 years option | No |
| Navios TBN | 2008/Kawasaki | 55,100 | 2008 | 7 years +2 years option | No |
| PANAMAXES |  |  |  |  |  |
| Navios TBN | 2007/Tsuneishi | 82,000 | 2007 | 7 years +2 years option | Yes |
| Navios Titan | 2006/Tsuneishi | 82,936 | November 9, 2005 | 5 years + 3 years option | No |
| Navios Altair | 2006/Tsuneishi | 82,300 | September, 2006 | 5 years + 3 years option | No |
| Navios Star | 2002/Imabari | 76,662 | April 15, 2002 | 5 years + 3 years option | Yes |
| Navios TBN | 2008/Imabari | 76,500 | 2008 | 7 years + 2 years option | Yes |
| Navios Orbiter | 2004/Imabari | 76,602 | February 8, 2004 | 5 years + 3 years option | Yes |
| Navios Orion | 2005/Imabari | 76,000 | January 11, 2005 | 5 years +3 years option | No |
| Navios Cielo | 2003/Sanoyasu | 75,834 | June 12, 2003 | 5 years + 2 years option | No |
| Navios Aurora | 2005/Universal | 75,200 | June 26, 2005 | 5 years + 3 years option | Yes |
| Navios Hyperion | 2004/Sanoyasu | 75,500 | February 10, 2004 | 5 years + 2 years option | Yes |
| Navios TBN | 2007/Sanoyasu | 75,500 | 2007 | 7 years | Yes |
| Navios TBN | 2007/Universal | 75,200 | 2007 | 7 years | No |

Many of Navios' current long-term chartered-in vessels are chartered from shipowners with whom Navios has long-standing relationships. Navios pays these shipowners daily rates of hire for such vessels, and then charters out these vessels to other parties, who pay Navios a daily rate of hire. Navios also enters into COAs pursuant to which Navios has agreed to carry cargoes, typically for industrial customers, who export or import dry bulk cargoes. Further, Navios enters into spot market voyage contracts, where Navios is paid a rate per ton to carry a specified cargo from point A to point B

The chartered vessels are chartered-in at rates well below the market, allowing Navios to charter-out those vessels at a significant spread over the daily hire it pays for the vessels to their owners. Navios can take advantage of options it has to extend the period of its long-term charters, maintaining low charter-in rates and, thus, lower overall operational expenses. Navios also has the ability to exercise its purchase options, many of which are "in the money", with respect to 10 (including one already exercised) of the 17 chartered-in vessels.

Short Term Fleet. Navios' fleet consists entirely of Panamax and Ultra-Handmax vessels and is classified by Navios into the following three categories: (1) Navios' "owned fleet" are the nine Ultra-Handymax and the six Panamax vessels that Navios owns; (2) Navios' "long-term fleet" that are the 12 Panamax and five UltraHandymax vessels that Navios, as a charterer, takes into its commercial employment under long-term charters, meaning charters for a duration of more than 12 months, that, together with its owned fleet, are termed Navios’ "core fleet"; and (3) Navios' "short term fleet" which is comprised of between 20 to 40 Panamax and Handymax vessels that at any given time Navios, as a charterer, has under charter for a duration of less than 12 months.

## Exercise of Vessel Purchase Options

During September, October and November 2005, Navios gave notice, to the lessors of four Ultra-Handymax vessels and two Panamax vessels, of its intention to exercise the options to purchase the vessels for an agreed value of approximately $\$ 20$ million each. The first of these vessels, the Navios Meridian, was delivered on November 30, 2005, the second, the Navios Mercator was delivered on December 30, 2005, the third, the Navios Arc, was delivered on February 10, 2006, the fourth, the Navios Galaxy I, was delivered on March 23, 2006 and the fifth, the Navios Magellan, was delivered on March 24, 2005. The sixth vessel, the Navios Horizon, is expected to be delivered in April 2006

The option exercise prices on these vessels are substantially below the prices that would be required to purchase vessels of similar types and ages. The aggregate cash outlay of the six vessels amounts to approximately $\$ 115$ million. The purchases are being financed by HSH Nordbank AG under a senior secured credit facility agreement dated December 21, 2005.

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By the exercise of such options as contemplated, in-charter expenses should decrease as a percentage of revenues, but Navios would also expect to incur additional depreciation and interest charges associated with the vessels. However, exercising the options is anticipated to have a favourable impact on EBITDA.

Management and Operation of the Fleet. Navios' commercial ship management is conducted out of its South Norwalk, Connecticut office. All vessel operations and the technical management of the owned vessels are conducted out of its Piraeus, Greece office. The financial risk management related to the operation of its fleet is conducted through both its South Norwalk and Piraeus offices, as explained more fully below.

Commercial Ship Management. Commercial management of Navios' fleet involves identifying and negotiating charter party employment for the vessels. Navios uses the services of Acropolis Shipping \& Trading Inc., based in Piraeus, as well as numerous third-party charter brokers, to solicit, research, and propose charters for its vessels. Charter brokers research and negotiate with different charterers and propose charters to Navios for cargoes suitable for carriage by Navios' vessels. Navios' then evaluates the employment opportunities available for each type of vessel and arranges cargo and country exclusions, bunkers, loading and discharging conditions, and demurrage.

Technical Ship Management. Navios provides, through its subsidiary, Navios ShipManagement Inc, technical ship management and maintenance services to its owned vessels. Based in Piraeus, Greece, the operation is run by experienced professionals who oversee every step of technical management, from the production of the vessels in Japan to subsequent shipping operations throughout the life of a vessel, including the superintendence of maintenance and repairs and drydocking.

Operations. The operations department, which is located in Piraeus Greece, supervises the post-fixture business of the vessels in Navios' fleet (i.e., once the vessel is chartered and being employed) by monitoring their daily positions to ensure that the terms and conditions of the charters are being fulfilled. The operations department also sends superintendents to the vessels to supervise the loading and discharging of cargoes when necessary to minimize time spent in port. The operations department also generally deals with all matters arising in relation to the daily operations of Navios' fleet that are not covered by Navios' other departments.

Financial Risk Management. Navios actively engages in assessing financial risks associated with fluctuating future freight rates, daily time charter hire rates, fuel prices, credit risks, interest rates and foreign exchange rates. Financial risk management is carried out under policies approved and guidelines established by the executive management.

- Freight Rate Risk. Navios uses FFAs to manage and mitigate its risk to its physical exposures in shipping capacity and freight commitments and respond to fluctuations in the dry bulk shipping market by augmenting its overall long or short position. These FFAs settle monthly in cash on the basis of publicly quoted indices, not physical delivery. These instruments typically cover periods from one month to one year, and are based on time charter rates or freight rates on specific quoted routes. Navios enters into these FFAs through over-the-counter transactions and over NOS ASA, a Norwegian clearing house or other clearing houses. Navios' FFA trading personnel work closely with the chartering group to ensure that the most up-to-date information is incorporated into the company's commercial ship management strategy and policies.
- Credit Risk. Navios closely monitors its credit exposure to charterers, counter-parties and FFAs. Navios has established policies designed to ensure that contracts are entered into with counter-parties that have appropriate credit histories. Counter-parties and cash transactions are limited to high credit
- Interest Rate Risk. Navios uses interest rate swap agreements to reduce exposure to fluctuations in interest rates. Specifically, the company enters into interest rate swap contracts that entitle it to receive interest at floating rates on principal amounts and oblige it to pay


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interest at fixed rates on the same amounts. Thus, these instruments allow Navios to raise long-term borrowings at floating rates and swap them into fixed rates. Although these instruments are intended to minimize the anticipated financing costs and maximize gains for Navios that may be set off against interest expense, they may also result in losses, which would increase financing costs.

- Foreign Exchange Risk. Although Navios' revenues are dollar-based, 2.7\% of it expenses related to its port operations are in Uruguayan pesos and $2.4 \%$ of its expenses related to operation of its Piraeus office are in Euros. Navios monitors its Euro and Pesos exposure against long term currency forecasts and enters into foreign currency contracts when considered appropriate.


## Port and Terminal Operations

Overview. Navios owns and operates the largest bulk transfer and storage port terminal in Uruguay, one of the most efficient and prominent operations of its kind in South America. Situated in a free trade zone in the port of Nueva Palmira at the confluence of the Parana and Uruguay rivers, the terminal operates 24 hours per day, seven days per week, and is ideally located to provide customers, consisting primarily of leading international grain and commodity houses, with a convenient and efficient outlet for the transfer and storage of a wide range of commodities originating in the Hidrovia region of Argentina, Bolivia, Brazil, Paraguay, and Uruguay. Navios has had a lease with the Republic of Uruguay dating back to the 1950's for the land on which it operates. The lease has been extended and now expires in 2025, and may be extended for an additional 20 years at Navios' option. Navios believes the terms of the lease reflect Navios' very high-level relationships within the Republic of Uruguay. Additionally, since the Navios terminal is located in the Nueva Palmira Tax Free Zone, foreign commodities moving through the terminal is free of Uruguayan taxes. Certificates of deposit are also obtainable for commodity entering into the station facility.

There is also considerable scope for further expansion of this bulk terminal operation in Uruguay. After completion in September 2005 of Navios' latest expansion of its storage capacity through the construction of its largest grain silo, Navios' terminal port has approximately 11 acres of available river front land for future development. The increased flow of commodity products through the Nueva Palmira port has allowed Navios to steadily increase throughput. Navios is considering further expansion, as existing and new customers are increasingly demanding long-term terminal transfer and storage services.

Although one of the smaller countries in South America, Uruguay is regarded as one of the most stable countries in the continent. The population is almost $100 \%$ literate, with a large middle class and a wellestablished democracy. The banking system is modern and efficient by international standards.


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Port Infrastructure. The terminal stands out in the region because of its sophisticated design, efficiency, and multimodal operations. The Navios terminal has specially designed storage facilities and conveying systems that provide tremendous flexibility in cargo movements that help to avoid delays to vessels and barge convoys. The terminal offers 270,400 tons of clean and secure grain silo capacity. With ten silos (some with internal separations) available for storage, customers are assured their commodities will be naturally separated. The terminal has the latest generation, high precision, independent weigh scales, both for discharging and loading activity.

The terminal has two docks. The main outer dock is 240 meters long and accommodates vessels of up to 85,000 dwt loading to the maximum permitted draft of the Martin Garcia Bar and Mitre Canal. The dock has three new ship loaders capable of loading vessels at rates of up to 20,000 tons per day, depending on commodity. The inner face of this dock is equipped for discharging barge convoys. The secondary inner dock measures

170 meters long and is dedicated to the discharge of barge convoys. This activity is carried out on both sides of the dock. The terminal is capable of discharging barge convoys at rates averaging 10,000 to 14,000 tons per day, depending on the type of barges and commodity. Fixed duty cycle cranes located on each dock carry out the discharging of barge convoys. The process is optimized through the selection of the most appropriate size and type of buckets according to the commodity to be discharged.

Port Operation. The commodities most frequently handled include grain and grain by-products, as well as some ores, sugar, and salt. The terminal receives bulk cargoes from barges, trucks, and vessels, and either transfers them directly to dry bulk carriers or stores them in its own modern silos for later shipment.

Dedicated professionals operate the terminal, taking pride in the quality of service and responsiveness to customer requirements. Management is attentive to commodity storage conditions seeking to maintain customer commodity separation at all times and minimize handling losses. The terminal operates 24 hours/day, seven days/week, to provide barge and ship traffic with safe and fast turnarounds. The ability to conduct multiple operations simultaneously involving ocean vessels, barges, trucks, and grain silos further enables the terminal to efficiently service customers' needs.

The Navios terminal is also unique in its pricing policy by using a fixed fee structure to charge its clients. Other regional competitors charge clients a complicated fee structure, with many variable add-on charges. Navios' pricing policy provides clients with a transparent, comprehensive, and hassle-free quote that has been extremely well received by port patrons. The Uruguay terminal operations present the additional advantage of generating revenue in US dollars, whereas the majority of its costs are in local currency.

Future Growth. The development of South American grain markets dates back to President Carter's embargo of grain against the Soviet Union in 1979. As a result of that decision, the USSR took steps to secure grain supplies from sources outside North America. By 1981, Argentina had become a significant grain exporter to the USSR, and Brazil quickly followed. The intervening decade saw the development of grain exports markets from these two countries as successive local governments recognized the significant benefits of US dollar income. In the 1990s, Paraguay began to export small quantities of grain and, more recently, Bolivia has expanded its grain exports; the significance of grain exports from these two countries is that both are land-locked. The table below highlights the gradual development of export volumes through the Navios facility in Nueva Palmira, and Navios believes this growth will continue as both countries continue to drive for larger hard currency income.


Navios is currently in negotiations with significant existing and new customers, who have expressed high levels of interest in entering in long-term business relationships with the company based on the growing Uruguay grain market.

Navios Uruguay Export Market. Over the past few years, Uruguay has begun to develop its grain exports that, historically, were very small because land was allocated to cattle and sheep farming. The rapid rise in Uruguayan exports is apparent from the chart below. Most importantly for the Navios terminal, the natural growth area for grain in Uruguay is in the western region of the country on land that is located in close proximity to Nueva Palmira.

Uruguay Grain Exports


Source: Uruguayan Farm Cooperative (as of December 31, 2004)

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In 2004, Navios completed construction of four new cylindrical silos designed specifically to receive Uruguayan commodities. Before these silos had been completed, local exporters had booked their total capacity for a period of three years. This was the first time in the terminal's history that additional silo capacity was booked before completion of construction. As a result of yet further significant new customer demand from companies such as Cargill, Bunge, and Louis Dreyfus, as well as from a number of smaller local grain merchandisers, Navios constructed a new 75,000 ton silo that is the largest in Uruguay and was completed in September 2005. This additional silo added approximately $35 \%$ to the terminal's existing storage capacity and is serving the increased exports of Uruguayan soybeans. The total investment for this project included the new silo, as well as two new truck un-loaders, and new truck weigh scales. Of traditional horizontal, concrete construction, the silo design incorporated wall separations, mechanical air ventilation systems as well as a sensitive temperature monitoring equipment.

## Customers

The international dry bulk shipping industry is highly fragmented and, as a result, there are numerous charterers. The charterers for Navios' core fleet come from leading enterprises that mainly carry iron ore, coal, and grain cargoes. Navios' assessment of a charterer's financial condition and reliability is an important factor in negotiating employment of its vessels. Navios generally charters its vessels to major trading houses (including commodities traders), major producers and government-owned entities rather than to more speculative or undercapitalized entities. Navios' customers under charterparties, COAs, and its counterparties under FFAs,
include national, regional and international companies, such as Cargill International SA, COSCO Bulk Carriers Ltd., Dampskipsskelskapet Norden, Glencore International A.G., Furness Withy Pty. Ltd., Louis Dreyfus Corp. Mitsui O.S.K. Lines Ltd., Rudolf A. Oetker, Sinochart and Taiwan Maritime Transportation Corp. During the year ended December 31, 2004, none of such customers accounted for more than $10 \%$ of revenues, with the exception of Taiwan Maritime Transportation Corp. that accounted for $15.92 \%$ of revenues. During 2003, none of Navios' customers or counterparties accounted for more than $10 \%$ of Navios' total revenue, with the exception of Cargill International S.A. which accounted for 29.4\%.

Navios' port terminal at Nueva Palmira, Uruguay conducts business with customers engaged in the international sale of agricultural commodities, which book a portion of the port terminal's silo capacity and transship cargoes through the terminal. In 2005, the two largest customers of the port terminal were Agrograin SA, a subsidiary of the Archer Daniels Midland group, which accounted for $40.4 \%$ of the port terminal's revenue, and Multigranos SA which accounted for $14.7 \%$ of the port terminal's revenue. These two customers were also the largest two sources of revenue for the port terminal in 2003 accounting for the following respective percentages of its total revenue in that year: Agrograin SA (46.4\%) and Multigranos (14.1\%).

## Competition

The dry bulk shipping markets are extensive, diversified, competitive, and highly fragmented, divided among approximately 1,500 independent dry bulk carrier owners. The world's active dry bulk fleet consists of approximately 5,923 vessels, aggregating some 323.8 million dwt. As a general principle, the smaller the cargo carrying capacity of a dry bulk carrier, the more fragmented is its market, both with regard to charterers and vessel owners/operators. Even among the larger dry bulk owners and operators, whose vessels are mainly in the larger sizes, only three companies have fleets of 100 vessels or more: the Chinese Government (directly and through China Ocean Shipping and China Shipping Group) and the two largest Japanese shipping companies, Mitsui OSK Lines and Nippon Yusen Kaisha. There are no more than 30 owners with fleets of between 20 and 100 vessels. However, vessel ownership is not the only determinant of fleet control. Many owners of bulk carriers charter their vessels out for extended periods, not just to end-users (owners of cargo), but also to other owner/operators and to tonnage pools. Such operators may, at any given time, control a fleet many times the size of their owned tonnage. Navios is one such operator; others include CCM (Ceres Hellenic/Coeclerici), Bocimar, Zodiac Maritime, Louis-Dreyfus/Cetragpa, Cobelfret and Torvald Klaveness.

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## Governmental and Other Regulations

Governmental Regulation. Government regulation significantly affects the ownership and operation of Governmental Regulation. Government regulation significantly affects the ownership and operation of
vessels. These regulations include international conventions, national, state, and local laws, and regulations in force in the countries in which vessels may operate or are registered. A variety of governmental and private entities subject vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (US Coast Guard, harbor master or equivalent), classification societies, flag state administration (country of registry), and charterers, particularly terminal operators. Certain of these entities require vessel owners to obtain permits, licenses, and certificates for the operation of their vessels. Failure to maintain necessary permits or approvals could require a vessel owner to incur substantial costs or temporarily suspend operation of one or more of its vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators, and charterers is leading to greater inspection and safety requirements on all vessels, and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. Vessel owners are required to maintain operating standards for all vessels that will emphasize operational safety, quality maintenance, continuous training of officers and crews, and compliance with United States and international regulations.

Environmental Regulations. The International Maritime Organization, or IMO, has negotiated international conventions that impose liability for oil pollution in international waters and a signatory's territorial waters. In September 1997, the IMO adopted Annex VI to the International Convention for the Prevention of Pollution from Ships, which was ratified on May 18, 2004, and became effective on May 19, 2005. Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions.

Under the International Safety Management Code, or ISM Code, effective since July 1998, the party with operational control of a vessel is required to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by the respective flag state for the vessel, under the ISM Code. Noncompliance with the ISM Code and other IMO regulations may subject a ship owner to increased liability, may lead to decreases in available insurance coverage for affected vessels, and may result in the denial of access to, or detention in, some ports. For example, the United States Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code will be prohibited from trading in ports in the United States and European Union.

Security Regulations. Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002, or MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the United States Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to the International Convention for the Safety of Life at Sea, or SOLAS, created a new chapter of the convention dealing specifically with maritime security. The new chapter went into effect on July 1, 2004, and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created International Ship and Port Facilities Security, or ISPS, Code. Among the various requirements are:

- on-board installation of automatic information systems, or AIS, to enhance vessel-to-vessel and vessel-to-shore communications;
- on-board installation of ship security alert systems;
- the development of vessel security plans; and
- compliance with flag state security certification requirements.

The United States Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-US vessels from MTSA vessel security measures, provided such vessels have on board, by July 1, 2004, a valid International Ship Security Certificate, or ISSC, that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code.

Inspection by Classification Societies. Every seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes, on request, other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case or to the regulations of the country concerned. For maintenance of the class, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

- Annual Surveys: For seagoing ships, annual surveys are conducted for the hull and the machinery (including the electrical plant) and, where applicable, for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate.
- Intermediate Surveys: Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey.
- Class Renewal Surveys: Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery (including the electrical plant), and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a ship owner has the option of arranging with the classification society for the vessel's integrated hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle.


## Risk of Loss and Liability Insurance

General. The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities, and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of any vessel trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the United States market. While management believes that Navios' present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that Navios will always be able to obtain adequate insurance coverage at reasonable rates.

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Hull and Machinery and War Risk Insurances. Navios has marine hull and machinery and war risk insurance, which includes the risk of actual or constructive total loss, for all of the 15 owned vessels. Each of the owned vessels are covered up to at least fair market value, with a deductible for the hull and machinery insurance in amounts ranging from $\$ 75,000$ to $\$ 100,000$. There are no deductibles for the war risk insurance. Navios has also arranged increased value insurance for most of the owned vessels. Under the increased value insurance, in case of total loss of the vessel, Navios will be able to recover the sum insured under the increased value policy in addition to the sum insured under the hull and machinery policy. Increased value insurance also covers excess liabilities that are not recoverable in full by the hull and machinery policies by reason of under insurance.

Protection and Indemnity Insurance. Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P\&I Associations, which covers Navios' third party liabilities in connection with its shipping activities. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or "clubs." Subject to the "capping" discussed below, Navios' coverage, except for pollution, is unlimited. Navios' current protection and indemnity insurance coverage for pollution is $\$ 1.0$ billion per vessel per incident. The 14 P\&I Associations that comprise the International Group insure approximately $90 \%$ of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. As a member of a P\&I Association, which is a member of the International Group, Navios is subject to calls payable to the associations based on its claim records as well as the claim records of all other members of the individual associations, and members of the pool of P\&I Associations comprising the International Group.

## Risk Management

Risk management in the shipping industry involves balancing a number of factors in a cyclical and potentially volatile environment. Fundamentally, the challenge is to appropriately allocate capital to competing opportunities of owning or chartering vessels. In part, this requires a view of the overall health of the market, as well as an understanding of capital costs and return. Thus, stated simply, one may charter part of a fleet as opposed to owning the entire fleet to maximize risk management and economic results. This is coupled with the challenge posed by the complex logistics of ensuring that the vessels controlled by Navios are fully employed.

Navios manages risk through a number of strategies, including vessel control strategies (chartering and ownership) freight carriage and FFA trading. Navios vessel control strategies include seeking the appropriate mix of owned vessels, long and short-term chartered in vessels, coupled with purchase options, when available, and spot charters. Navios also enters into COAs, which gives Navios, subject to certain limitations, the flexibility to determine the means of getting a particular cargo to its destination. Navios' FFA trading strategies include taking economic hedges to manage and mitigate risk on vessels that are on hire or coming off hire to protect against the risk of movement in rates.

## Legal Proceedings

Navios is not involved in any legal proceedings which may have a significant effect on its business, financial position, results of operations or liquidity. From time to time, Navios may be subject to legal proceedings and claims in the ordinary course of business, involving principally commercial charter party disputes. It is expected that these claims would be covered by insurance if they involve liabilities such as arise from a collision, other marine casualty, damage to cargoes, oil pollution, death or personal injuries to crew, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

## Crewing and Shore Employees

Navios crews its vessels primarily with Greek officers, Filipino officers, Ukrainian officers and seamen Navios' fleet manager is responsible for selecting its Greek officers, which are hired by

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Navios' vessel owning subsidiaries. Navios' Filipino officers and seamen are referred to Navios' fleet manager by Interorient Maritime Enterprises Inc. and Bright Maritime Corporation, two independent crewing agencies. Navios' Ukrainian officers and seamen are referred to Navios' fleet manager by Elvictor Management LTD, an independent crewing agent. Navios' Georgian officers and seaman are referred to Navios' fleet manager by Lira Maritime Ltd., an independent crewing agent. The crewing agencies handle each seaman's training, travel, and payroll. Navios requires that all of its seamen have the qualifications and licenses required to comply with international regulations and shipping conventions.

## Facilities

Navios currently leases the following properties:

- Navios Corporation has leased approximately 12,458 square feet of space at 20 Marshall Street, South Norwalk, CT, 06820 under a lease that expires in May 15, 2011. Navios has sublet approximately 1,394 square feet of space to Healy \& Baillie, LLP, under a sub-lease that expires on May 15, 2011.
- Navios ShipManagement Inc. and Navios Corporation have leased approximately 2,034.3 square meters of space at 85 Akti Miaouli, Piraeus, Greece, under a lease that expires in 2017
- Corporación Navios Sociedad Anonima leases the land on which it operates its port and transfer facility, located at Zona Franca, Nueva Palmira, Uruguay. This lease is between Uruguayan National Authority of Free Zones and Corporación Navios Sociedad Anonima, which expires on November 29, 2025, with an option to extend for another 20 years.

Corporación Navios Sociedad Anonima owns the premises from which it operates in Montevideo, Uruguay. This space is approximately 112 square meters and is located at Juan Carlos Gomez 1445, Oficina 701, Montevideo 1100, Uruguay.

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## ACQUISITION AND MERGER PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial statements give effect to the acquisition of Navios by ISE through the purchase of all of the outstanding common stock of Navios for an initial cash consideration of \$594.4 million less the final adjustment of $\$ 0.6$ million plus $\$ 14.2$ million in allocable transaction costs. Approximately $\$ 412.0$ million of the purchase price was obtained from a $\$ 514.4$ million senior secured credit facility, entered into on July 12, 2005 and funded on August 25, 2005, with HSH Nordbank AG. Simultaneously with the acquisition of Navios, ISE effected a reincorporation from the State of Delaware to the Republic of the Marshall Islands through a downstream merger with and into its newly acquired-wholly-owned subsidiary, whose name was and will continue to be Navios Maritime Holdings, Inc. The acquisition has been accounted for as a purchase.

The following unaudited pro forma consolidated statement of operations combine the historical predecessor statements of operations of Navios for the period from January 1, 2005 to August 25, 2005 and Navios successor for the period from August 26, 2005 to December 31, 2005, 2005, and ISE for the period from January 1, 2005 to August 25, 2005 giving effect to the acquisition of Navios by ISE, pursuant to the Stock Purchase Agreement dated February 28, 2005, as amended, and the downstream merger (the "Transaction") as if it had occurred on January 1, 2005

This unaudited pro forma condensed consolidated statement of operations should be read in conjunction with the historical predecessor and successor financial statements of Navios and the historical financial statements of ISE and the related notes thereto. The unaudited pro forma information is not necessarily indicative of the financial position or results of operations that may have actually occurred had the acquisition of Navios by ISE taken place on the dates noted.

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NAVIOS MARITIME HOLDINGS INC.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2005
(In thousands of US Dollars, except per share data)

|  | Successor <br> August 26, <br> 2005 <br> To <br> December 31, <br> 2005 |  | $\begin{gathered} \text { Predecessor } \\ \text { January 1, } \\ 2005 \\ \text { To } \\ \text { August } 25, \\ 2005 \\ \hline \end{gathered}$ |  | $\begin{aligned} & \text { NAVIOS(a) } \\ & \text { Combined } \\ & \hline \end{aligned}$ |  | ISE(b) |  | Pro Forma Adjustments |  | ProFormaCombined |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Revenue | \$ | 76,376 | \$ | 158,630 | \$ | 235,006 |  |  |  |  | \$ | 235,006 |
| Gain (loss) on forward freight agreements |  | $(2,766)$ |  | 2,869 |  | 103 |  |  |  |  |  | 103 |
| Expenses: |  |  |  |  |  |  |  |  |  |  |  |  |
| Time charter, voyage and port terminal expense |  | $(39,530)$ |  | $(91,806)$ |  | $(131,336)$ |  |  |  |  |  | $(131,336)$ |
| Direct vessel expense |  | $(3,137)$ |  | $(5,650)$ |  | $(8,787)$ |  |  |  |  |  | $(8,787)$ |
| General and administrative |  | $(4,582)$ |  | $(9,964)$ |  | $(14,546)$ | \$ | (233) | \$ | (63)(c) |  | $(14,842)$ |
| Depreciation and amortization |  | $(13,582)$ |  | $(3,872)$ |  | $(17,454)$ |  | (2) |  | (13,573)(d) |  | $(31,029)$ |
| Interest income |  | 1,163 |  | 1,350 |  | 2,513 |  | 2,864 |  | $(2,864)(\mathrm{c})$ |  | 2,513 |
| Interest expense |  | $(11,892)$ |  | $(1,677)$ |  | $(13,569)$ |  |  |  | (14,626)(e) |  | $(28,195)$ |
| Other income |  | 52 |  | 1,426 |  | 1,478 |  |  |  |  |  | 1,478 |
| Other expense |  | (226) |  | (757) |  | (983) |  | (179) |  |  |  | $(1,162)$ |
| Income before equity in net earnings of affiliates |  | 1,876 |  | 50,549 |  | 52,425 |  | 2,450 |  | (31,126) |  | 23,749 |
| Equity in net earnings of affiliated companies |  | 285 |  | 788 |  | 1,073 |  |  |  |  |  | 1,073 |
| Income before income taxes |  | 2,161 |  | 51,337 |  | 53,498 |  | 2,450 |  | (31,126) |  | 24,822 |
| Provision for income taxes |  |  |  |  |  |  |  | (859) |  | 859 (f) |  | = |
| Net Income | S | 2,161 | S | 51,337 | S | 53,498 | \$ | 1,591 | \$ | (30,267) | s | $\underline{24,822}$ |
| Weighted average number of shares outstanding: |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  | ,189,356 |  | 874,584 |  |  |  | 900,000 (g) |  |  |  | ,001,473 |
| Diluted |  | ,238,554 |  | 874,584 |  |  |  | 900,000 (g) |  |  |  | ,852,699 |
| Net income per share: |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  | 0.05 |  | 58.7 |  |  | \$ | 0.04 |  |  | \$ | 0.62 |
| Diluted |  | 0.05 |  | 58.7 |  |  |  | 0.04 |  |  | \$ | 0.59 |

(a) This column combines the results of operations of Navios as predecessor for the period January 1, 2005 through August 25, 2005 with the results of operations of Navios as successor for the period August 26, 2005 through December 31, 2005. See the section labeled, "For the combined year ended December 31, 2005 compared to the year ended December 31, 2004" under "Operating and Financial Review and Prospects" in this prospectus.
(b) For the period from January 1, 2005 through August 25, 2005 (acquisition date).
(c) To record increase in base salaries to certain key employees of Navios under employment agreements entered into in connection with the acquisition and to retain the services of such employees.
(d) To record additional depreciation and amortization of fixed assets and intangibles based on the step up to fair value as detailed below:

| Calculation of Allocable Purchase Price: |  |  |
| :---: | :---: | :---: |
| Initial cash consideration | \$ | 594,370 |
| Final price adjustment |  | (606) |
| Allocable transaction costs |  | 14,203 |
| Total allocable purchase price | \$ | $\underline{607,967}$ |
| Allocation of purchase price: |  |  |
| Navios net assets acquired (at book value) | \$ | 226,127 |
| Write off of Navios pre-merger goodwill |  | (226) |
| Fair value adjustments to assets acquired: |  |  |
| Write up of vessels to fair value |  | 81,789 |
| Write down of port terminal assets |  | (15) |
| Allocation of purchase price to intangibles: |  |  |
| Port terminal operation rights |  | 31,000 |
| Trade name |  | 88,053 |
| Favorable lease terms |  | 139,680 |
| Backlog asset |  | 14,830 |
| Backlog liability |  | $(12,700)$ |
| Restructuring reserve |  | $(1,360)$ |
| Fair value of assets acquired |  | 567,178 |
| Goodwill |  | 40,789 |
| Total allocable purchase price | \$ | 607,967 |

Vessels were written up to their fair market value. The port fixed assets were valued based on replacement cost less accumulated depreciation. Fair value of the intangible assets identified (Port operating rights, Tradename, Leases and Backlog assets and liabilities) were determined using generally accepted valuation methodologies. The Port operating rights were valued using a form of the income approach known as the BuildOut method. The Tradename was valued using a form of the Income Approach known as the Relief From Royalties method. The Favorable Leases were valued using a method of the Market Approach wherein the Company's actual lease costs are compared to market-based lease costs. The Purchase Options were valued though a comparison of their exercise prices to expected vessel values. Backlog Assets and liabilities were valued using a method of the Income Approach known as excess earnings method. The assembled workforce was valued at $\$ 360$ using the Cost Approach known as replacement cost method and is included in Goodwill.

| Asset | Estimated <br> Useful Life |
| :--- | :--- |
| Vessels | 25 years from date built |
| Port (included in other fixed assets) | 40 Years |
| Port operating rights | 40 years |
| Tradename | 32 years |
| Favorable lease terms | $6.9-7.1$ years |
| Backlog assets | $2.8-3.6$ years |
| Backlog liability | 2.1 years |

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Pro forma depreciation and amortization has been provided on a straight line basis over the remaining lives of the assets as set forth in the following table (expressed in thousands of US dollars):

| Asset Class | $\begin{gathered} \text { August } 25,2005 \\ \text { Fair Value } \\ \hline \end{gathered}$ |  | Pro Forma depreciation and amortization January 1, 2005 to August 25, 2005 |  |
| :---: | :---: | :---: | :---: | :---: |
| Vessels | \$ | 195,118 | \$ | 2,383 |
| Port terminal assets |  | 26,699 |  | 66 |
| Port operating rights |  | 31,000 |  | 503 |
| Trade name |  | 90,000 |  | 1,769 |
| Favorable lease terms* |  | 139,680 |  | 9,663 |
| Backlog assets |  | 14,830 |  | 3,180 |
| Backlog liabilities |  | $(12,700)$ |  | $(3,991)$ |
| Other assets |  | 1,798 |  | - |
|  |  |  | \$ | 13,573 |

* The intangible asset associated with the favorable lease terms includes an amount of \$20,670 related to purchase options for the vessels at the end of the lease term. This amount is not amortized and should the purchase options be exercised, any unamortized portion of this asset will be capitalized as part of the cost of the vessel and will be depreciated over the remaining useful life of the vessel
(e) To reverse interest expense and amortization of deferred financing costs on bank loans of Navios that were repaid on August 18, 2005 (the Predecessor Company) and record pro forma interest expense for the period January 1, 2005 to August 25, 2005. Based on Navios’ cash forecast, the combination of operating cash flow and Navios' then existing cash balances would have been sufficient to fund Navios' capital expenditure and working capital requirements for the twelve months beginning September 1, 2005. As a result, interest expense for the pro forma period from January 1,, 2005 until August 25, 2005 is based on the $\$ 412$ million borrowed by ISE for the purpose of affecting the acquisition. The $\$ 412$ million of acquisition debt was assumed to be outstanding throughout the period. Interest expense for the pro forma period was calculated using the $6.26 \%$ Libor based floating interest rate in effect at the August 25, 2005 acquisition date plus amortization of deferred debt service costs for the period. A change in the LIBOR rate of $1 / 8$ percent would change interest expense for 2005 by $\$ 0.5$ million

| The components of this adjustment to interest expense are as follows: <br> Issuance of $\$ 412$ million principal amount of credit facility <br> Repayment of $\$ 49.8$ million principal amount of historical credit facility |
| :--- |

(f) Navios as predecessor and successor is incorporated under the laws of the Marshall Islands. Accordingly, it will be taxed as a foreign corporation by the United States. Navios does not expect to be liable for income taxes for any of the historical periods presented in this prospectus. Based on Navios' present plans, it does not expect to be liable for income taxes in the future. Since Navios successor does not expect to be liable for income taxes, the pro forma adjustments to the unaudited pro forma consolidated statements of operations have not been tax affected. See page 92 in this prospectus, Taxation, for a more complete discussion of Navios' tax status.

|  | $\begin{aligned} & \text { Year Ended } \\ & \text { December 31, } \\ & 2005 \end{aligned}$ |
| :---: | :---: |
| Pro forma weighted average number of shares assumed to be outstanding during 2005 | 40,001,473 |
| Incremental shares on exercise of warrants ** | 1,851,226 |
| Pro forma weighted average shares - diluted | 41,852,699 |

** Assuming exercise price of $\$ 5.00$ per share, $65,550,000$ warrants outstanding and average price for 2005 of \$5.15

## MANAGEMENT

The current board of directors, executive officers and significant employees are as follows:

| Name | Age | Position |
| :---: | :---: | :---: |
| Angeliki Frangou | 41 | Chairman of the Board and Chief Executive Officer |
| Robert G. Shaw | 51 | President and Director |
| Michael E. McClure | 59 | Chief Financial Officer |
| Vasiliki Papaefthymiou | 37 | Executive Vice President - Legal |
| Anna Kalathakis | 36 | Senior Vice President - Legal Risk Management |
| Ted C. Petrone* | 51 | Senior Vice President - Trading |
| Shunji Sasada* | 48 | Senior Vice President - Fleet Development |
| Spyridon Magoulas | 52 | Director |
| John Stratakis | 41 | Director |
| Rex Harrington | 73 | Director |
| Allan Shaw | 42 | Director |

## * Significant employee

Angeliki Frangou has been Navios' Chairman of the Board and Chief Executive Officer since August 25, 2005, the date of the acquisition of Navios by ISE. Prior to the acquisition, Ms. Frangou was the Chairman, Chief Executive Officer and President of ISE. Ms. Frangou has been the chief executive officer of Maritime Enterprises Management S.A., a company located in Piraeus, Greece, that specializes in the management of dry cargo vessels of various types and sizes, since she founded the company in October 2001. From 1990 to October 2001, Ms. Frangou was the chief executive officer of Franser Shipping S.A., a company that was located in Piraeus, Greece, and was also engaged in the management of dry cargo vessels. Prior to her employment with Franser Shipping, Ms. Frangou was an analyst on the trading floor of Republic National Bank of New York, from 1987 to 1989. Ms. Frangou has also been a member of the board of directors of Emporiki Bank of Greece, the second largest retail bank in Greece, since July 2005. Ms. Frangou is a member of the Mediterranean Committee of China Classification Society and a member of the Hellenic and Black Sea Committee of Bureau Veritas. Ms. Frangou received a bachelors degree in mechanical engineering from Fairleigh Dickinson University (summa cum laude) and a masters degree in mechanical engineering from Columbia University.

Robert G. Shaw has been the President of Navios since August 25, 2005 and was appointed as a director on October 25, 2005. Prior to that date, Mr. Shaw was the Executive Vice President and General Counsel and a director of Navios since January 2001. Prior to joining Navios, Mr. Shaw practiced maritime and corporate law as an associate, and later as a partner, at the law firm of Healy \& Baillie, LLP in New York City. Mr. Shaw is the US representative member of the Documentary Committee of the Baltic and International Council that develops standard industry terms for dry bulk charter parties and bills of lading. He is also a former President of the Hellenic American Chamber of Commerce. Mr. Shaw received his degree from Oxford University in 1977

Michael E. McClure has been Chief Financial Officer of Navios since October 1, 2005. Prior to that date, Mr. McClure was Vice President - Research \& Risk Management of Navios since March 2004. Mr. McClure joined Navios in 1978, at which time he served as Manager of Financial Analysis and then Director of South American Transportation Projects, which included Navios' owned port facility in Uruguay and its commercial lead in Venezuela and Columbia. He is a board member of The Baltic Exchange and the prior chairman of the Baltic Exchange Freight Market Indices Committee, which is the organization responsible for all freight indices utilized for freight derivative trading by the industry. Mr. McClure graduated from Marquette University, Milwaukee, Wisconsin, with a Masters in Business Administration.

Vasiliki Papaefthymiou has been Navios' Execuive Vice President - Legal and a member of its board of directors since August 25, 2005, the date of the acquisition of Navios by International Shipping Enterprises, Inc Prior to the acquisition, Ms. Papaefthymiou was the secretary and a director

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of ISE. Ms. Papaefthymiou has served as general counsel for Maritime Enterprises since October 2001, where she has advised that company on shipping, corporate and finance legal matters. Ms. Papaefthymiou provided similar services as general counsel to Franser Shipping from October 1991 to September 2001. Ms. Papaefthymiou received an undergraduate degree from the Law School of the University of Athens and a masters degree in Maritime Law from Southampton University in the United Kingdom. Ms. Papaefthymiou is also admitted to practice before the Bar in Piraeus, Greece.

Anna Kalathakis has been Senior Vice President - Legal Risk Management of Navios since December 8, 2005. Before joining Navios, Ms. Kalathakis was the General Manager of the Greek office since May 2000 and Associate Director of A. Bilbrough \& Co. Ltd. (the managers of the London Steam-ship Owners' Mutual Insurance Association Limited). She has previously worked for a US maritime law firm in New Orleans, having qualified as a lawyer in Louisiana, and also in a similar capacity for a London maritime law firm. She qualified as a solicitor in England and Wales in 1999 and in Piraeus, Greece in 2004. She has studied International Relations a solicitor in England and Wales in 1999 and in Piraeus, Greece in 2004. She has studied International Relatio
in Georgetown University, Washington DC (1991). She holds an MBA from European University in Brussels (1992) and JD from Tulane Law School (1995).

Ted C. Petrone has been Senior Vice President — Trading of Navios since October 1, 2005. Mr. Petrone joined Navios in 1980 at the entry-level position of assistant vessel operator and has steadily risen through the ranks to his current position of Vice President of Navios. Mr. Petrone sailed as a third mate aboard US Navy (Military Sealift Command) tankers for one year before coming ashore to take operational positions in both StoltNielsen and Maritime Overseas Group over a three-year period. Mr. Petrone graduated in 1977 from New York Maritime College at Fort Schuyler with a B.S. in Maritime Transportation.

Shunji Sasada has been Senior Vice President — Fleet Development of Navios since October 1, 2005. Mr. Sasada joined Navios in May 1997. Mr. Sasada started his shipping career in 1981 in Japan with Mitsui O.S.K. Lines, Ltd. In 1991, Mr. Sasada joined Trinity Bulk Carriers as its chartering manager as well as subsidiary board member representing MOSK as one of the shareholders. Mr. Sasada is a graduate of Keio University, Tokyo, with a B.A. degree in Business.

Spyridon Magoulas has been a member of Navios' board of directors since August 25, 2005, the date Navios was acquired by ISE. Mr. Magoulas is the co-founder and director of Doric Shipbrokers S.A., a chartering firm in the dry cargo vessel business based in Piraeus, Greece, and has served as the managing director of that company since its formation in 1994. From 1982 to 1993, Mr. Magoulas was a chartering director and shipbroker
for Nicholas G. Moundreas Shipping S.A., a company located in Piraeus, Greece, and from 1980 to 1982, Mr. Magoulas served in the same positions at Orion and Global Chartering Inc. in New York. Mr. Magoulas also is a member of the Association of Ship Brokers and Agents in the United States. Mr. Magoulas received a bachelors degree in economics (honors) from the City University of New York, New York, a masters degree in transportation management from the Maritime College in New York and a masters degree in political economy the New School for Social Research in New York, New York.

John Stratakis has been a member of Navios' board of directors since August 25, 2005, the date Navios was acquired by ISE. Since 1994, Mr. Stratakis has been a partner with the law firm of Poles, Tublin, Stratakis, Gonzalez \& Weichert, LLP, in New York, New York, where he specializes in all aspects of marine finance and admiralty law, real estate, trusts and estates and general corporate law. From 1992 to 1993, Mr. Stratakis was an associate attorney with Wilson, Elser, Moskowitz Edelman \& Dicker, in New York, New York. Mr. Stratakis also has been a director and the Treasurer of the Hellenic-American Chamber of Commerce in New York since 2000. Mr. Stratakis received a bachelor of arts (summa cum laude) from Trinity College and a juris doctor degree from Washington College of Law-American University. Mr. Stratakis is admitted to practice law in the State of New York and in the courts of the Southern and Eastern Districts of New York.

Rex Harrington has been a member of Navios' board of directors since October 25, 2005. From 1957 to 1969 Mr. Harrington was the director of shipping at The Royal Bank of Scotland where he had responsibility for its extensive shipping portfolio. He currently sits on the board of General

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Maritime Corporation (NYSE: GMR) and A/S Dampskibsselskabet TORM (NASDAQ: TRMD). He is also an advisor to the Liberian Ship and Corporate Registry, a Deputy Chairman of the International Maritime Industries Forum and a member of InterCargo advisory panel, the General Committee of Lloyds Register of Shipping, the Steering Committee of the London Shipping Law Center, The Baltic Exchange, the Worshipful Company of Shipwrights - Liveryman. He was previously a director with Lloyds Register of Shipping, Clarksons plc, an international shipbroker, and the International Chamber of Commerce. Mr. Harrington received a B.A. and M.A. degree in economics from Oxford University in 1955.

Allan Shaw has been a member of Navios' board of directors since October 25, 2005. Mr. Shaw has almost 20 years of financial management experience, having most recently worked as Chief Financial Officer and Executive Management Board Member at Serono International S.A., from November 2002 to April 2004. Prior to joining Serono, Mr. Shaw was with Viatel Inc., an international telecommunications company, where he was a member of the Board of Directors and Chief Financial Officer. During his employment, Viatel filed for Chapter 11 protection under the bankruptcy laws of the United States in 2001. He was also a managing director with Deloitte \& Touche. Mr. Shaw received a bachelor of science degree from the State University of New York, Oswego in 1986.

## Board Practices

The board of directors of Navios is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term. The term of office of the first class of directors, consisting of John Stratakis, Rex Harrington and Allan Shaw will expire at the annual meeting of stockholders to be held in 2006. The term of office of the second class of directors, consisting of Robert Shaw and Spyridon Magoulas, will expire at the annual meeting to be held in 2007. The term of office of the third class of directors, consisting of Angeliki Frangou and Vasiliki Papaefthymiou, will expire at the annual meeting to be held in 2008.

## Nominating and Governance, Audit and Compensation Committees

Nominating and Governance Committee. Navios' Nominating and Governance Committee consists of three independent directors, Spyridon Magoulas, John Stratakis and Rex Harrington.

Audit Committee. Navios' Audit Committee consists of three independent directors, Spyridon Magoulas, Rex Harrington and Allan Shaw. Mr. Shaw is considered an "audit committee financial expert".

Compensation Committee. Navios does not currently have a Compensation Committee. Any compensation decisions with respect to officers and directors will be made by a majority of the independent members of the full board of directors.

## Code of Ethics

Navios has adopted a code of ethics applicable to officers, directors and employees of Navios that complies with applicable guidelines issued by the SEC. The Navios Code of Corporate Conduct and Ethics is available for review on Navios' website at www.navios.com.

## Compensation of Directors and Executive Officers

The aggregate annual compensation paid to our current executive officers was approximately $\$ 922,000$ for the year ended December 31, 2005. We also made contributions for our executive officers to a $401(\mathrm{k})$ and profit sharing plan in an aggregate amount of approximately $\$ 102,000$. Navios has no option or long-term compensation plans. Non-employee directors receive annual fees in the amount of $\$ 30,000$ plus reimbursement of their out-of-pocket expenses. In addition, the non-executive serving as chairman of the Audit Committee receives an annual fee of $\$ 20,000$ and the chairman of the Nominating and Governance Committee receives an annual fee of $\$ 17,000$, plus reimbursement of their out-of-pocket expenses.

During the 2003 and 2004 fiscal year, Ms. Frangou was not associated with Navios and only became our Chief Executive Officer upon the acquisition of Navios by ISE. Ms. Frangou was not paid any compensation by ISE prior to its acquisition of Navios.

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## Share Ownership of Executive Officers, Directors and Major Shareholders

The following table sets forth information regarding the beneficial ownership of the common stock of Navios as of April 4, 2006, by:

- each person known by Navios to be the beneficial owner of more than $5 \%$ of its outstanding shares of common stock based solely upon the amounts and percentages as are contained in the public filings of such persons; and
- each of Navios' executive officers and directors

Unless otherwise indicated, Navios believes that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

| Name and Address of Beneficial Owner(1) |  | Amount and Nature of <br> Beneficial Ownership |  | Percentage of Outstanding <br> Common Stock |
| :--- | :---: | :---: | :---: | :---: |
| Angeliki Frangou(2) | $21,207,313$ | $40.7 \%$ |  |  |
| Robert Shaw | 0 | 0 |  |  |
| Michael E. McClure | 0 | 0 |  |  |
| Vasiliki Papaefthymiou | 352,059 | $0.77 \%$ |  |  |
| Spyridon Magoulas | 25,147 | $0.05 \%$ |  |  |
| John Stratakis | 16,765 | $0.03 \%$ |  |  |
| Rex Harrington | 0 | 0 |  |  |
| Allan Shaw | 0 | 0 |  |  |
| Pequot Capital Management, Inc.(3) | $2,864,900(3)$ | 6.90 |  |  |
| North Sound Capital LLC(4) | $8,620,000$ | $19.9 \%$ |  |  |

(1) Unless otherwise indicated, the business address of each of the individuals is 85 Akti Miaouli, Piraeus Greece 18538.
(2) Angeliki Frangou has filed a Schedule 13D amendment indicating that she intends, subject to market conditions, to purchase up to $\$ 20$ million of common stock and as of October 10, 2005, she has purchased approximately $\$ 10.0$ million in value of common stock. Any such additional purchases would change the percentage owned by the initial stockholders and Ms. Frangou referred to above
(3) A registered investment adviser exercising investment discretion over its clients' accounts. Represents $1,393,600$ shares of common stock and $1,471,300$ shares of common stock issuable upon exercise of warrants held for the accounts of the Reporting Person's clients.
(4) The ultimate managing member of North Sound Capital LLC ("North Sound") is Thomas McAuley. North Sound may be deemed the beneficial owner of the shares in its capacity as the managing member of North Sound Legacy Fund LLC and North Sound Legacy Institutional Fund LLC and the investment advisor of North Sound Legacy International Ltd. (the "Funds"), who are the holders of such shares. As the managing member or investment advisor, respectively, of the Funds, North Sound has voting and investment control with respect to the shares of common stock held by the Funds. The address of North Sound is 53 Forest Avenue, Suite 202, Old Greenwich, CT 06870 . Represents $3,220,000$ shares of common stock and $5,400,000$ shares of common stock issuable upon exercise of warrants.
(5) The securities may be deemed to be owned by Edward C. Johnson III and Abigail P. Johnson. The address of FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109.

Substantially all of the shares of common stock owned by the executive officers and directors of Navios identified above are held in escrow with Continental Stock Transfer \& Trust Company, as escrow agent, and shall remain in escrow until the earliest of:

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- December 10, 2007;
- ISE's liquidation; or
- the consummation of a liquidation, merger, stock exchange or other similar transaction which results in all of Navios' stockholders having the right to exchange their shares of common stock for cash, securities or other property.

During the escrow period, the holders of these escrowed shares will not be able to sell or transfer their securities, except to their spouses and children or trusts established for their benefit, but will retain all other rights as Navios stockholders, including, without limitation, the right to vote their shares of common stock and the right to receive cash dividends, if declared. If dividends are declared and payable in shares of common stock, such dividends will also be placed in escrow.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In September 2004, ISE, our legal predecessor, issued 4,250,000 shares of ISE common stock, which, by virtue of the acquisition of Navios by ISE and reincorporation through the merger of ISE with and into Navios, became Navios common stock, to the individuals set forth below for $\$ 25,000$ in cash, at an average purchase price of approximately $\$ 0.006$ per share, as follows:

| Name | Number of Shares | Relationship to Navios |
| :---: | :---: | :---: |
| Angeliki Frangou | 4,000,000 | Chairman of the Board and Chief Executive Officer |
| Vasiliki Papaefthymiou | 210,000 | Executive Vice President - Legal, Secretary and Director |
| Spyridon Magoulas | 15,000 | Director |
| Julian David Brynteson | 15,000 | Former Director |
| John Stratakis | 10,000 | Director |

On January 2, 2006, Navios Corporation and Navios Shipmanagement Inc., two wholly owned subsidiaries of Navios, entered into two lease agreements with Goldland Ktimatiki - Ikodomiki - Touristiki and Xenodohiaki Anonimos Eteria, a Greek corporation which is partially owned by relatives of Angeliki Frangou, our Chairman and Chief Executive Officer. The lease agreements provide for the leasing of two facilities located in Piraeus, Greece, of approximately $2,034.3$ square meters and will house the operations of Navios' subsidiaries. The total annual lease payments due under these leases is EUR 420,000 (approximately \$500,000) and the lease agreements expire in 2017. Navios believes the terms and provisions of the lease agreements were similar to those that would have been available with a non-related third party. The lease payments are subject to annual adjustments starting form the third year and are based on the inflation rate prevailing in Greece as reported by the Greek State at the end of each year.

On December 19, 2004 Navios concluded an agreement to purchase four Panamax vessels from Maritime Enterprises Management S.A., a company affiliated with the Angeliki Frangou family the Company's Chairman and Chief Executive Officer. On December 22, 2005, Navios took delivery of the first two vessels, the Navios Libra II and the Navios Alegria built in 1995 and 2004 respectively. The third vessel, the Navios Felicity built in 1997, was delivered on December 27, 2005 and the fourth vessel, the Navios Gemini S built in 1994, was delivered on January 5, 2006. The total acquisition cost for the four new vessels including backlogs was $\$ 119.8$ million and was funded (i) with $\$ 13.0$ million of Navios' available cash; (ii) with $\$ 80.3$ million from bank financing and (iii) through the issuance of $5,500,854$ shares of Navios authorized common stock at $\$ 4.96$ per share for Navios Alegria ( $1,840,923$ shares) and Navios Libra II ( $1,227,282$ shares), $\$ 4.82$ per share for Navios Felicity ( $1,271,114$ shares) and $\$ 4.42$ for Navios Gemini S. (1,161,535 shares).

On November 29, 2004, ISE's board of directors authorized a stock dividend of approximately 0.676 shares of common stock for each outstanding share of common stock, effectively lowering the purchase price to approximately $\$ 0.004$ per share.

The holders of the majority of these shares will be entitled to make up to two demands that Navios register these shares pursuant to a registration rights agreement previously entered into. The

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holders of the majority of these shares may elect to exercise these registration rights at any time after the date on which these shares of common stock are released from escrow, which, except in limited circumstances, is not before December 2007. In addition, these stockholders have certain "piggy-back" registration rights on registration statements filed subsequent to the date on which these shares of common stock are released from escrow. Navios will bear the expenses incurred in connection with the filing of any such registration statements.

As of December 16, 2004, Ms. Frangou had advanced a total of approximately $\$ 350,000$ to ISE, on a noninterest bearing basis, for payment of offering expenses on ISE's behalf. These loans were paid without interest on December 21, 2004. In addition, Ms. Frangou agreed to loan ISE funds to cover its transaction expenses, including bank commitment fees and deposits, in connection with the acquisition of Navios that exceed the amount of funds held outside of ISE's trust, which loan in the aggregate amount of approximately $\$ 8.6$ million was repaid, without interest, at the closing of the acquisition of Navios.

Navios owns $50 \%$ of the common stock of Acropolis Chartering and Shipping Inc., or Acropolis. Navios also uses Acropolis as a broker and paid commissions to Acropolis during the years ended December 31, 2005 and 2004 of $\$ 612,000$, and $\$ 877,000$, respectively. During the years ended December 31, 2005 and 2004, Navios received dividends from Acropolis of $\$ 972,000$ and $\$ 699,000$, respectively. As of December 31, 2004, $\$ 147,000$ was due to Acropolis. During 2005, Navios received dividends totaling \$972,378.

During 2003 and 2002, prior to Navios becoming a public company, Navios used Levant Maritime Company Ltd., or Levant, as an agent. Agency fees paid to Levant amounted to $\$ 1,003,000$ and $\$ 846,000$ respectively. Levant was managed by a former director and shareholder of Navios, and Navios ceased using Levant's services as of December 31, 2003.

In November 2002, prior to Navios becoming a public company, a predecessor company to Navios issued a promissory note for $\$ 367,000$ to Kastella Trading, Inc., or Kastella, a Marshall Islands Corporation. Interest accrued at $4.6 \%$ per year and was payable at the note's due date. Kastella was wholly-owned by one of the predecessor company's executives. This loan was repaid in full in 2004.

In August 2004, prior to Navios becoming a public company, Navios advanced to one of its shareholders and executive officers the amount of $\$ 50,000$. The loan was repaid in full during the year. No interest was calculated for the duration of this loan.

All ongoing and future transactions between Navios and any of its officers and directors or their respective affiliates, including loans by Navios' officers and directors, if any, will be on terms believed by Navios to be no less favorable than are available from unaffiliated third parties, and such transactions or loans, including any forgiveness of loans, will require prior approval, in each instance by a majority of Navios' uninterested "independent" directors or the members of Navios' board who do not have an interest in the transaction, in either case who had access, at Navios' expense, to its attorneys or independent legal counsel.

## DESCRIPTION OF SECURITIES

Set forth below is a summary of certain in formation relating to our securities and of certain provisions of our Articles of Incorporation and the laws of the Marshall Islands law. This summary does not purport to be complete. It is qualified in its entirety by reference to the Articles of Incorporation and the laws of the Marshall Islands in effect at the date of this prospectus.

## General

On August 25, 2005, ISE, a publicly traded shell company, acquired Navios, a then privately held company, which caused Navios to become a wholly-owned subsidiary of a publicly traded company. Immediately following the acquisition, ISE reincorporated from the State of Delaware to the Republic of Marshall Islands by merging with and into Navios, its wholly owned subsidiary, and as a result of such merger, Navios became a publicly traded operating entity. As a result of the acquisition and reincorporation, and in accordance with its Third Amended and restated Articles of Incorporation, dated August 25, 2005, Navios is authorized to issue $120,000,000$ shares of common stock, par value $\$ .0001$, and $1,000,000$ shares of preferred stock, par value $\$ .0001$. As of April , 2006, 45,400,854 shares of common stock are outstanding, held by eight record holders, seven of which are located in the United States. No shares of preferred stock are currently outstanding. Of Navios' outstanding securities, the common stock, warrants and units, the portions held by investors in the United States are approximately $61 \%, 89 \%$ and $82 \%$, respectively.

## Units

Each unit is publicly traded and consists of one share of common stock and two warrants, which warrants started trading separately as of the opening of trading on January 5, 2005. Each warrant entitles the holder to purchase one share of common stock at an exercise price of $\$ 5.00$ per share.

## Common stock

Navios' common stock is publicly traded and stockholders are entitled to one vote for each share held of record on all matters to be voted on by stockholders.

Navios' board of directors is divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than $50 \%$ of the shares voted for the election of directors can elect all of the directors.

Navios' stockholders have no conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the common stock.

Holders of $7,125,000$ shares of common stock are entitled to registration rights. The holders of the majority of these shares are entitled to make up to two demands that Navios register the resale of these shares. The holders of the majority of these shares can elect to exercise these registration rights at any time after December 10, 2007. In addition, these stockholders have certain "piggy-back" registration rights on registration statements filed subsequent to December 10, 2007. Navios will bear the expenses incurred in connection with the filing of any such registration statements

## Preferred stock

Navios' certificate of incorporation authorizes the issuance of $1,000,000$ shares of blank check preferred stock with such designation, rights and preferences as may be determined from time to time by Navios' board of directors. Accordingly, Navios' board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of common stock, although the underwriting agreement prohibits Navios, prior to a business combination, from issuing preferred stock which participates in any manner in the proceeds of the trust fund, or which votes as a class with the common stock on a business combination. Navios may issue some or all of the preferred

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stock to effect a business combination. In addition, the preferred stock could be utilized as a method of discouraging, delaying or preventing a change in control of Navios. Although Navios does not currently intend to issue any shares of preferred stock, Navios cannot assure you that it will not do so in the future.

## Warrants

Navios currently has warrants outstanding to purchase $65,550,000$ shares of Navios common stock. Each warrant entitles the registered holder to purchase one share of Navios' common stock at a price of $\$ 5.00$ per share, subject to adjustment as discussed below, at any time commencing on December 10, 2005.

The warrants will expire on December 9, 2008, at 5:00 p.m., New York City time. Navios may call the warrants for redemption, with Sunrise Securities Corp.'s prior consent, in whole and not in part, at a price of $\$ .01$ per warrant at any time after the warrants become exercisable, upon not less than 30 days' prior written notice of redemption to each warrant holder, if, and only if, the last reported sale price of the common stock equals or exceeds $\$ 8.50$ per share, for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders and the weekly trading volume of Navios' common stock has been at least 800,000 shares for each of the two calendar weeks prior to the notice of redemption.

The warrants are issued in registered form under a warrant agreement between Continental Stock Transfer \& Trust Company, as warrant agent, and Navios.

The exercise price and number of shares of common stock issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or Navios' recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of common stock at a price below their respective exercise prices.

The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified check payable to Navios, for the number of warrants being exercised. The warrant holders do not have the rights or privileges of holders of common stock or any voting rights until they exercise their warrants and receive shares of common stock. After the issuance of shares of common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No fractional shares will be issued upon exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, Navios will, upon exercise, round up to the nearest whole number the number of shares of common stock to be issued to the warrant holder.

## Transfer Agent and Warrant Agent

The transfer agent for Navios' securities and warrant agent for Navios' warrants is Continental Stock Transfer \& Trust Company, 17 Battery Place, New York, New York 10004.

## MARSHALL ISLANDS COMPANY CONSIDERATIONS

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Business Corporation Act of the Republic of the Marshall Islands, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. For example, the BCA allows the adoption of various anti-takeover measures such as shareholder "rights" plans. While the BCA also provides that it is to be in interpreted according to the laws of the State of Delaware and other states with substantially similar legislative provisions, there have been few, if any, court cases interpreting the BCA in the Marshall Islands and we can not predict whether Marshall Islands courts would reach the same conclusions as U.S. courts. Thus, you may have more difficulty in

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protecting your interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction which has developed a substantial body of case law. The following table provides a comparison between the statutory provisions of the BCA and the Delaware General Corporation Law relating to shareholders' rights.

| Marshall Islands |  |
| :--- | :--- | | Shareholder Meetings |
| :--- |
| -Held at a time and place as designated in the by- |
| laws | | -May be held at such time or place as designated in the certificate of |
| :--- |
| incorporation or the by-laws, or if not so designated, as determined by |
| the board of directors |

Shareholder's Voting Rights
-Any action required to be taken by meeting of shareholders may be taken without meeting if consent is in writing and is signed by all the shareholders entitled to vote
-Any person authorized to vote may authorize another person or persons to act for him by proxy - Unless otherwise provided in the articles of incorporation, a majority of shares entitled to vote constitutes a quorum. In no event shall a quorum consist of fewer than one-third of the shares entitled to vote at a meeting -No provision for cumulative voting
-Shareholders may act by written consent to elect directors
-Any person authorized to vote may authorize another person or persons to act for him by proxy
-For non-stock companies, certificate of incorporation or by-laws may specify the number of members to constitute a quorum. In the absence of this, one-third of the members shall constitute a quorum
-For stock corporations, certificate of incorporation or by-laws may specify the number to constitute a quorum but in no event shall a quorum consist of less than one-third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares entitled to vote shall constitute a quorum -The certificate of incorporation may provide for cumulative voting

| Table of Contents | Marshall Islands | Delaware |
| :--- | :--- | :--- |

- Board must consist of at least one member
- Number of members can be changed by an amendment to the
by-laws, by the shareholders, or by action of the board by-laws, by the shareholders, or by action of the board


## Board must consist of at least one member

Number of board members shall be fixed by the by-laws, nless the certificate of incorporation fixes the number of directors, in which case a change in the number shall be made only by amendment of the certificate
-If the board is authorized to change the number of directors,
it can only do so by an absolute majority (majority of the entire board)

## Dissenter's Rights of Appraisal

Marshall Islands $\quad$ Delaware

## Shareholder's Derivative Actions

- An action may be brought in the right of a corporation to procure a judgement in its favor, by a holder of shares or of voting trust certificates or of a beneficial interest in such shares or certificates. It shall be made to appear that the plaintiff is such a holder at the time of bringing the action and that he was such a holder at the time of the transaction of which he complains, or that his shares or his interest therein devolved upon him by operation of law
-Complaint shall set forth with particularity the efforts of the plaintiff to secure the initiation of such action by the board or the reasons for not making such effort
-Such action shall not be discontinued, compromised or settled, without the approval of the High Court of the Republic
-Attorney's fees may be awarded if the action is successful
-Corporation may require a plaintiff bringing a derivative suit to give security for reasonable expenses if the plaintiff owns less than $5 \%$ of any class of stock and the shares have a value of less than $\$ 50,000$


## PLAN OF DISTRIBUTION

The shares of Common Stock underlying the publicly traded warrants are being offered directly by the Company, without an underwriter, and the holders of such publicly traded warrants may purchase the shares of Common Stock directly from the Company, by exercising the publicly traded warrants in accordance with the exercise provisions, and pursuant to the terms of the publicly traded warrants, as described in "Description of Securities."

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## TAXATION

## Marshall Islands Tax Considerations

Navios is incorporated in the Marshall Islands. Under current Marshall Islands law, Navios will not be subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments.

## Federal Income Tax Consequences

## General

The following discussion addresses certain United States federal income tax aspects of our business and to the holders of our warrants and common stock. It does not address other tax aspects (including issues arising under state, local and foreign tax laws other than the Marshall Islands), nor does it attempt to address the specific circumstances of any particular stockholder of Navios.

## United States Federal Income Tax Considerations

## United States Taxation of Navios' Operating Income: In General

Navios is incorporated under the laws of the Marshall Islands. Accordingly, it will be taxed as a foreign corporation by the United States. If Navios were taxed as a domestic corporation, it could be subject to substantially greater United States income tax than contemplated below.

In general, a foreign corporation is subject to United States tax on income that is treated as derived from US source income or that is effectively connected income. Based on its current plans, however, Navios expects that its income from sources within the United States will be international shipping income that qualifies for exemption from United States federal income taxation under Section 883 of the Code, and that it will have no effectively connected income. Accordingly, Navios does not expect to be subject to federal income tax on any of its income.

If Navios is taxed as a foreign corporation and the benefits of Code Section 883 are unavailable, Navios' United States source shipping income that is not effectively connected income would be subject to a four percent (4\%) tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions. Navios believes that no more than fifty percent ( $50 \%$ ) of Navios' shipping income would be treated as United States source shipping income because, under Navios' current business plan, its shipping income will be attributable to transportation which does not both begin and end in the United States. Thus, the maximum effective rate of United States federal income tax on Navios' shipping income would never exceed two percent (2\%) under the four percent (4\%) gross basis tax regime.

To the extent the benefits of Code Section 883 exemption are unavailable and Navios' international shipping income is considered to be effectively connected income, such income, net of applicable deductions, would be subject to the United States federal corporate income tax. United States corporate income tax would also apply to any other effectively connected income of Navios, and to Navios' worldwide income if it were taxed as a domestic corporation. This could result in the imposition of a tax of up to $35 \%$ on Navios' income, except to the extent that Navios were able to take advantage of more favorable rates that may be imposed on shipping income of domestic corporations or foreign corporations. In addition, as a foreign corporation, Navios could potentially be subject to the thirty percent ( $30 \%$ ) branch profits on effectively connected income, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of its United States trade or business. Since Navios does not intend to have any vessel sailing to or from the United States on a regularly scheduled basis, Navios believes that none of its international shipping income will be effectively connected income.

## United States Taxation of Gain on Sale of Vessels

Regardless of whether Navios qualifies for exemption under Code Section 883, it will not be subject to United States federal income taxation with respect to gain realized on a sale of a vessel,
provided that the sale is considered to occur outside of the United States as defined under United States federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected than any sale of a vessel by Navios will be considered to occur outside of the United States.

## United States Federal Income Taxation of US Holders

As used herein, the term "US Holder" means a beneficial owner of warrants and/or common stock that

- is an individual United States citizen or resident, a United States corporation or other United States entity taxable as a corporation, an estate of which the income is subject to United States federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust;
- owns Navios common stock as a capital asset; and
- owns less than ten percent ( $10 \%$ ) of Navios' common stock for United States federal income tax purposes.

If a partnership holds Navios common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding Navios common stock, you should consult your tax advisor.

## Tax Treatment of the Warrants

A US Holder generally will not recognize gain or loss upon exercise of a warrant, except with respect to any cash received in lieu of a fractional share. The US Holder will have a tax basis in the shares of Navios common stock received on exercise of the warrant equal to the sum of the US Holder's tax basis in the warrant and the exercise price paid in respect of the exercise. The holding period of common stock received upon the exercise of a warrant will begin on the day the warrant is exercised. If a warrant expires without being exercised, a US Holder will recognize a capital loss in an amount equal to the US Holder's tax basis in the warrant.

Generally, a US Holder's tax basis in a warrant will equal the amount paid by the US Holder to acquire the warrant. The warrants were originally issued as part of a unit comprised of one share of Navios common stock and two warrants. If a US Holder acquired a warrant as part of such a unit, the amount paid for the warrant is the portion of the amount paid for the unit allocable to the warrant, based on the relative fair market values of the warrant and the Navios common stock comprising the unit on the date of acquisition. By analogy to other provisions of the Code, Navios' allocation of the value of the warrant may be binding on US Holders who acquired their warrants at original issue, but not on the Internal Revenue Service, unless the US Holder explicitly discloses a contrary position in a statement attached to the US Holder's timely filed United States federal income tax return for the taxable year in which the US Holder acquired the unit.

Adjustments to the exercise price of the warrants, or the failure to make adjustment, may in certain circumstances result in the receipt of taxable constructive dividends by the US Holders, in which event the US Holder's tax basis in the warrants would be increased by an amount equal to the constructive dividend.

See also discussion under "United States Federal Income Taxation of US Holders - Sale, Exchange or other Disposition of Common Stock or Warrants".

## Tax Treatment of Common Stock

## Distributions

Subject to the discussion of passive federal foreign investment companies below, distributions made by Navios with respect to Navios common stock to a US Holder will generally constitute

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dividends to the extent of Navios' current or accumulated earnings and profits, as determined under United States federal income tax principles, and will be included in the US Holder's gross income. Distributions in excess of such earnings and profits will first be treated as a nontaxable return of capital to the extent of the US Holder's tax basis in his common stock on a dollar-for-dollar basis and thereafter as capital gain. Because Navios is not a United States corporation, US Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions it receives from Navios. Dividends paid with respect to Navios' common stock will generally be treated as "passive income" for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

Dividends paid on Navios common stock to a US Holder who is an individual, trust or estate, a US NonCorporate Holder, will, under current law, generally be treated as "qualified dividend income" that is taxable to such US Non-Corporate Holder at preferential tax rates (through 2008), provided that (1) the common stock is readily tradable on an established securities market in the United States (such as the NASDAQ National Market); (2) Navios is not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which Navios does not believe it is or will be); (3) the US NonCorporate Holder has owned the common stock for more than sixty (60) days in the 121-day period beginning sixty (60) days before the date on which the common stock becomes ex-dividend; and (4) the US Non-Corporate Holder is under no obligation to make related payments with respect to positions in substantially similar or related property. Special rules may apply to any "extraordinary dividend" generally, a dividend in an amount equal to or in excess of ten percent of a stockholder's adjusted basis in a share of common stock paid by Navios. If Navios pays an "extraordinary dividend" on its common stock that is treated as "qualified dividend income", then any loss derived by a US Non-Corporate Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend.

There is no assurance that any dividends paid on Navios common stock will be eligible for these preferential rates in the hands of a US Non-Corporate Holder, although Navios believes that they will be so eligible. Any dividends out of earnings and profits Navios pays which are not eligible for these preferential rates will be taxed as ordinary income to a US Non-Corporate Holder.

Sale, Exchange or Other Disposition of Common Stock or Warrants
Assuming Navios does not constitute a passive foreign investment company for any taxable year, a US Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of Navios common stock or warrants in an amount equal to the difference between the amount realized by the US Holder from such sale, exchange or other disposition and the US Holder's tax basis in such stock. Such gain or loss will be treated as long-term capital gain or loss if the US Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as United States source income or loss, as applicable, for United States foreign tax credit purposes. Long-term capital gains of US Non-Corporate Holders are eligible for reduced rates of taxation. A US Holder's ability to deduct capital losses is subject to certain limitations. See, "United States Federal Income Tax Considerations United States Tax Consequences" above, for a discussion of certain tax basis and holding period issues related to Navios common stock.

Passive Foreign Investment Company Status and Significant Tax Consequences
Special United States federal income tax rules apply to a US Holder that holds stock or warrants in a foreign corporation classified as a "passive foreign investment company" for United States federal income tax purposes. A foreign corporation will be a foreign passive investment company if $75 \%$ or more of its gross income for a taxable year is treated as passive income, or if the average percentage of assets held by such corporation during a taxable year which produce or are held to produce passive income is at least $50 \%$. A US Holder of stock or warrants in a passive foreign investment company can be subject to current taxation on undistributed income of such company or to other adverse tax results if it does not elect to be subject to such current taxation.

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Navios believes that it will not be a passive foreign investment company because it believes that its shipping income will be active services income and most of its assets will be held for the production of active services income.

Since there is no legal authority directly on point, however, the IRS or a court could disagree with Navios' position and treat its shipping income and/or shipping assets as passive income or as producing or held to produce passive income. In addition, although Navios intends to conduct its affairs in a manner that would avoid Navios being classified as a passive foreign investment company with respect to any taxable year, it cannot ensure that the nature of its operations will not change in the future.

## United States Federal Income Taxation of Non-US Holders

A beneficial owner of warrants or common stock (other than a partnership) that is not a US Holder is referred to herein as a Non-US Holder.

Tax Treatments of Warrants
The U.S. federal income tax consequences of the exercise of a warrant by a Non-US Holder generally are the same as described above for a US Holder.

## Tax Treatment of Common Stock

## Dividends on Common Stock

Non-US Holders generally will not be subject to United States federal income tax or withholding tax on dividends received with respect to Navios common stock, unless that income is effectively connected with the Non- US Holder's conduct of a trade or business in the United States. If the Non-US Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-US Holder in the United States. In the event that Navios were to be taxed as a United States corporation received by Non-US Holders could be subject to United States withholding tax. See discussion above under "United States Tax Consequences Taxation of Operating Income: In General".

Sale, Exchange or other Disposition of Common Stock
Non-US Holders generally will not be subject to United States federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of Navios' common stock or warrants, unless:

- the gain is effectively connected with the Non-US Holder's conduct of a trade or business in the United States (and, if the Non-US Holder is entitled to the benefits of an income tax treaty with respect to that gain, that gain is attributable to a permanent establishment maintained by the Non-US Holder in the United States); or
- the Non-US Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-US Holder is engaged in a United States trade or business for United States federal income tax purposes, the income from the common stock, including dividends and the gain from the sale, exchange or other disposition of the stock or warrants, that is effectively connected with the conduct of that trade or business, will generally be subject to regular United States federal income tax in the same manner as discussed in the previous section relating to the taxation of US Holders. In addition, if the shareholder or warrant holder is a corporate Non-US Holder, the shareholder's earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of thirty percent ( $30 \%$ ), or at a lower rate as may be specified by an applicable income tax treaty.

## Backup Withholding and Information Reporting

In general, dividend payments or other taxable distributions, made within the United States to the shareholder, will be subject to information reporting requirements if the shareholder is a

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non-corporate US Holder. Such payments or distributions may also be subject to backup withholding tax if the shareholder is a non-corporate US Holder and:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that the shareholder failed to report all interest or dividends required to be shown on the shareholder's federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-US Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8ECI or W-81MY, as applicable.

If the shareholder or warrant holder is a Non-US Holder and sells the Non-U.S. Holder's common stock or warrants to or through a United States office of a broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless the Non-U.S. Holder certifies that the Non-U.S. Holder is a non-United States person, under penalties of perjury, or otherwise establishes an exemption. If the Non-U.S. Holder sells common stock or warrants through a non-United States office of a non-United States broker and the sales proceeds are paid to the Non-U.S. Holder outside the United States, then information reporting and backup withholding generally will not apply to that payment. United States information reporting requirements, but not backup withholding, however, will apply to a payment of sales proceeds, even if that payment is made to the Non-U.S. Holder outside the United States, if the Non-U.S. Holder sells common stock or warrants through a non-United States office of a broker that is a United States person or has some other contacts with the United States. Such information reporting requirements will not apply, however, if the broker has documentary evidence in its records that the shareholder or warrant holder is a non-United States person and certain other conditions are met, or otherwise establishes an exemption

The conclusions expressed above are based on current United States tax law. Future legislative, administrative or judicial changes or interpretations, which can apply retroactively, could affect the accuracy of those conclusions.

The discussion does not address all of the tax consequences that may be relevant to particular taxpayers in light of their personal circumstances or to taxpayers subject to special treatment under the Code. Such taxpayers include non-US persons, insurance companies, tax-exempt entities, dealers in securities, banks and persons who acquired their shares of capital stock pursuant to the exercise of employee options or otherwise as compensation

BECAUSE OF THE COMPLEXITY OF THE TAX LAWS, AND BECAUSE THE TAX CONSEQUENCES TO ANY PARTICULAR STOCKHOLDER MAY BE AFFECTED BY MATTERS NOT DISCUSSED ABOVE, EACH NAVIOS WARRANT HOLDER AND STOCKHOLDER IS URGED TO CONSULT A TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE OFFERING AND THE EXERCISE OF THE PUBLICLY TRADED WARRANTS, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-US TAX LAWS, AS WELL AS FEDERAL TAX LAWS.

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Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

We have obtained directors' and officers' liability insurance against any liability asserted against such person incurred in the capacity of director or officer or arising out of such status, whether or not we would have the power to indemnify such person.

## LEGAL MATTERS

The validity of the common stock underlying the publicly traded warrants offered in this offering, including the valid issuance of the shares of common stock upon exercise of the warrants and the comparison of stockholders' rights under Marshall Islands law as compared to Delaware law in connection with this offering relating to Marshall Islands law will be passed upon for us by Reeder \& Simpson P.C

## EXPERTS

The consolidated financial statements of Navios Maritime Holdings Inc. (successor) as of December 31, 2005 and for the period from August 26, 2005 to December 31, 2005 and the consolidated financial statements of Navios Maritime Holdings, Inc. (predecessor) as of December 31, 2004, and for the period from January 1, 2005 until August 25, 2005 and for the two years in the period ended December 31, 2004 included in this prospectus have been so included in reliance on the reports of PricewaterhouseCoopers S.A., an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

The financial statements of International Shipping Enterprises, Inc. (a corporation in the development stage) as of December 31, 2004 and for the period from September 17, 2004 to December 31, 2004 included in this prospectus have been so included in reliance on the report of Goldstein Golub Kessler LLP, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

The discussions contained under the sections of this prospectus entitled 'The International Dry Bulk Shipping Industry" have been reviewed by Drewry Shipping Consultants, Ltd., which has confirmed to Navios that they accurately describe the international dry bulk shipping industry, subject to the reliability of the data supporting the statistical and graphical information presented in this prospectus.

The statistical and graphical information Navios uses in this prospectus has been compiled by Drewry from its database. Drewry compiles and publishes data for the benefit of its clients. Its methodologies for collecting data, and therefore the data collected, may differ from those of other sources, and its data does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the market.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form F-1, including the exhibits and schedules thereto, with the Securities and Exchange Commission, or SEC, under the Securities Act, and the rules and regulations thereunder, for the registration of the common stock that are being offered by this prospectus. This prospectus does not include all of the information contained in the registration statement. You should refer to the registration statement and its exhibits for additional information. Whenever we make reference in this prospectus to any of our contracts, agreements or other documents, the references are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreements or other document.

We are subject to the informational requirements of the Securities Exchange Act, applicable to foreign private issuers. We, as a "foreign private issuer", are exempt from the rules under the our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Securities Exchange Act, with respect to their purchases and sales of shares. In addition, we are not required to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Securities Exchange Act. However, we will file with the SEC, within 180 days after the end of each fiscal year, an annual report on Form 20-F containing financial statements audited by an independent accounting firm. We will also furnish quarterly reports on Form 6-K containing unaudited interim financial information for the first three quarters of each fiscal year, within 60 days after the end of such quarter.

You may read and copy any document we file or furnish with the SEC at reference facilities at 450 Fifth Street, NW, Washington, DC 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, NW, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. You can review our SEC filings and the registration statement by accessing the SEC's internet site at http://www.sec.gov.

Documents may also be inspected at the National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington D.C. 20006.

## NAVIOS MARITIME HOLDINGS INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (SUCCESOR) 25,2005 , AND FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (PREDECESSOR)

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2005 TO AUGUST 25, 2005 AND FOR THE YEARS ENDED DECEMBER 31, 2005 TO AUGUST 25, 2005 AND FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (PREDECESSOR)

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Navios Maritime Holdings Inc.:
In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Navios Maritime Holdings Inc and its subsidiaries (Successor) at December 31, 2005 and the results of their operations and their cash flows for the period from August 26, 2005 to December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
/s/ PricewaterhouseCoopers S.A.
Piraeus, Greece
March 22, 2006

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of
Navios Maritime Holdings Inc.:
In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Navios Maritime Holdings Inc and its subsidiaries (Predecessor) at December 31, 2004 and the results of their operations and their cash flows for the period from January 1, 2005 to August 25, 2005 and for each of the two years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
/s/ PricewaterhouseCoopers S.A.
Piraeus, Greece
March 22, 2006

|  | Notes | $\underset{2005}{\text { December 31, }}$ |  | $\underset{2004}{\text { December 31, }}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| ASSETS |  |  |  |  |  |
| Current Assets |  |  |  |  |  |
| Cash and cash equivalents | 4,12 | \$ | 37,737 | \$ | 46,758 |
| Restricted cash | 2,12 |  | 4,086 |  | 3,513 |
| Accounts receivable, net | 5 |  | 13,703 |  | 15,200 |
| Short term derivative asset | 12 |  | 45,556 |  | 109,310 |
| Short term backlog asset | 8 |  | 7,019 |  | - |
| Prepaid expenses and other current assets | 6 |  | 6,438 |  | 13,163 |
| Total current assets |  |  | 114,539 |  | 187,944 |
| Deposit on exercise of vessels purchase options | 7 |  | 8,322 |  |  |
| Vessels, port terminal and other fixed assets, net | 7,23 |  | 365,997 |  | 138,199 |
| Fixed assets under construction |  |  | - |  | 2,794 |
| Long term derivative assets | 12 |  | 28 |  | 708 |
| Deferred financing costs, net |  |  | 11,677 |  | 425 |
| Deferred dry dock and special survey costs, net |  |  | 2,448 |  | 435 |
| Investments in affiliates | 9,17 |  | 657 |  | 557 |
| Long term backlog asset | 8 |  | 7,744 |  | - |
| Trade name | 8 |  | 89,014 |  | 2,004 |
| Port terminal operating rights | 8 |  | 30,728 |  | - |
| Favorable lease terms | 8 |  | 117,440 |  | - |
| Goodwill |  |  | 40,789 |  | 226 |
| Total non-current assets |  |  | 674,844 |  | 145,348 |
| Total Assets |  | s | 789,383 | s | 333,292 |
| LIABILITIES AND STOCKHOLDERS' EQUITY |  |  |  |  |  |
| Current Liabilities |  |  |  |  |  |
| Accounts payable |  | \$ | 13,886 | \$ | 14,883 |
| Accrued expenses | 10 |  | 11,253 |  | 7,117 |
| Deferred voyage revenue |  |  | 6,143 |  | 15,135 |
| Short term derivative liability | 12 |  | 39,992 |  | 65,392 |
| Short term backlog liability | 8 |  | 8,109 |  | - |
| Current portion of long term debt | 11 |  | 54,221 |  | 1,000 |
| Total current liabilities |  |  | 133,604 |  | 103,527 |
| Long term debt, net of current portion | 11 |  | 439,179 |  | 49,506 |
| Long term liabilities | 13 |  | 2,297 |  | 3,024 |
| Long term derivative liability | 12 |  | 598 |  | 2,444 |
| Long term backlog liability | 8 |  | 5,947 |  | - |
| Total non-current liabilities |  |  | 448,021 |  | 54,974 |
| Total liabilities |  |  | 581,625 |  | 158,501 |
| Commitments and Contingencies | 15 |  |  |  |  |
| Stockholders' Equity |  |  |  |  |  |
| Successor |  |  |  |  |  |
| Preferred stock - \$0.0001 par value, authorized 1,000,000 shares. None issued |  |  | - |  | - |
| Common stock - \$ 0.0001 par value, authorized $120,000,000$ shares, issued and outstanding $44,239,319$ |  |  | 4 |  | - |
| Predecessor |  |  |  |  |  |
| Common stock - \$0.10 par value - authorized, issued and outstanding 874,584 shares |  |  | - |  | 87 |
| Additional paid-in capital |  |  | 205,593 |  | 60,570 |
| Legal Reserve, restricted | 14 |  | - |  | 289 |
| Retained earnings |  |  | 2,161 |  | 113,845 |
| Total stockholders' equity |  |  | 207,758 |  | 174,791 |
| Total Liabilities and Stockholders' Equity |  | \$ | 789,383 | \$ | 333,292 |

See notes to consolidated financial statements

NAVIOS MARITIME HOLDINGS INC CONSOLIDATED STATEMENTS OF OPERATIONS (Expressed in thousands of US Dollars - except per share data)

|  | Note | Successor |  | Predecessor |  | Predecessor |  | Predecessor <br> Year <br> Ended <br> December 31, <br> 2003 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | $\begin{gathered} \text { August 26, } 2005 \\ \text { To } 20,2005 \\ \text { December 31, } \end{gathered}$ |  | $\begin{array}{r} \text { January 1, } 2005 \\ \text { To } \\ \text { August 25, } 2005 \\ \hline \end{array}$ |  | $\begin{gathered} \text { Year } \\ \text { Ended } \\ \text { December 31, } 2004 \\ \hline \end{gathered}$ |  |  |  |
| Revenue | 20 | \$ | 76,376 | \$ | 158,630 | \$ | 279,184 | \$ | 179,734 |
| (Loss) gain on Forward Freight Agreements | 12 |  | $(2,766)$ |  | 2,869 |  | 57,746 |  | 51,115 |
| Time charter, voyage and port terminal expenses |  |  | $(39,530)$ |  | $(91,806)$ |  | $(180,026)$ |  | $(136,551)$ |
| Direct vessel expenses |  |  | $(3,137)$ |  | $(5,650)$ |  | $(8,224)$ |  | $(10,447)$ |
| General and administrative expenses |  |  | $(4,582)$ |  | $(9,964)$ |  | $(12,722)$ |  | $(11,628)$ |
| Depreciation and amortization | 7,8 |  | $(13,582)$ |  | $(3,872)$ |  | $(5,925)$ |  | $(8,857)$ |
| Gain (loss) on sale of assets | 18 |  | - |  | - |  | 61 |  | $(2,367)$ |
| Interest income |  |  | 1,163 |  | 1,350 |  | 789 |  | 134 |
| Interest expense and finance cost, net | 11 |  | $(11,892)$ |  | $(1,677)$ |  | $(3,450)$ |  | $(5,278)$ |
| Other income |  |  | 52 |  | 1,426 |  | 374 |  | 1,102 |
| Other expense |  |  | (226) |  | (757) |  | $(1,438)$ |  | (553) |
| Income before equity in net earnings of affiliate companies |  |  | 1,876 |  | 50,549 |  | 126,369 |  | 56,404 |
| Minority Interest | 19 |  | - |  | - |  | - |  | $(1,306)$ |
| Equity in net Earnings of Affiliated Companies | 9,17 |  | 285 |  | 788 |  | 763 |  | 403 |
| Net income |  | \$ | 2,161 | \$ | 51,337 | \$ | 127,132 | \$ | 55,501 |
| Earnings per share, basic |  | \$ | 0.05 | \$ | 58.70 | \$ | 139.83 | \$ | 55.70 |
| Weighted average number of shares, basic | 21 |  | 40,189,356 |  | 874,584 |  | 909,205 |  | 996,408 |
| Earnings per share, diluted |  | \$ | 0.05 | \$ | 58.70 | \$ | 139.83 | \$ | 55.70 |
| Weighted average number of shares, diluted | 21 |  | 45,238,554 |  | 874,584 |  | 909,205 |  | 996,408 |

See notes to consolidated financial statements.

|  | Note | $\begin{gathered} \text { August 26, } 2005 \\ \text { To } \\ \text { December 31, } 2005 \end{gathered}$ | $\begin{gathered} \text { January 1, } 2005 \\ \text { To } \\ \text { August 25, } 2005 \end{gathered}$ | $\begin{gathered} \text { Year } \\ \text { Ended } \\ \text { December 31, } 2004 \end{gathered}$ | $\underset{\substack{\text { Year } \\ \text { Ended } \\ \text { December 31, } \\ 2003}}{\substack{\text { 3 } \\ \hline}}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| OPERATING ACTIVITIES |  |  |  |  |  |
| Net income |  | 2,161 | 51,337 | 127,132 | 55,501 |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |  |  |  |  |
| Minority interest | 19 | - | - | - | 1,306 |
| Depreciation and amortization | 7,8 | 13,582 | 3,872 | 5,925 | 8,857 |
| Amortization of deferred financing cost |  | 1,253 | 425 | 773 | 565 |
| Amortization of deferred dry dock costs |  | 143 | 160 | 249 | 309 |
| Amortization of backlog |  | (78) | - | - | - |
| Provision for losses on accounts receivable | 5 | 411 | (880) | (573) | 1,021 |
| (Gain) / loss on sale of fixed assets |  | - | - | (61) | 2,367 |
| Unrealized loss/(gain) on FFA derivatives | 12 | 17,074 | 23,793 | (599) | $(45,905)$ |
| Unrealized (gain)/loss on foreign exchange contracts |  | (212) | 338 | 44 | (170) |
| Unrealized (gain)/loss on interest rate swaps |  | (384) | (403) | 301 | 220 |
| Earnings in affiliates, net of dividends received | 9,17 | (285) | 185 | (64) | (325) |
| Changes in operating assets and liabilities: |  |  |  |  |  |
| Decrease (increase) in restricted cash |  | 433 | $(1,005)$ | (281) | 309 |
| (Increase) decrease in accounts receivable |  | $(9,193)$ | 11,768 | 2,721 | $(12,937)$ |
| Decrease (increase) in prepaid expenses and other |  | 2,896 | 3,762 | 4,755 | $(7,778)$ |
| (Decrease) increase in accounts payable |  | $(1,321)$ | $(10,172)$ | 708 | 10,895 |
| Increase (decrease) in accrued expenses |  | 2,332 | $(1,229)$ | 191 | 1,732 |
| (Decrease) increase in deferred voyage revenue |  | $(3,961)$ | $(5,032)$ | $(1,833)$ | 7,610 |
| (Decrease) increase in long term liability |  | (275) | (451) | 148 | 198 |
| Increase (decrease) in derivative accounts |  | 1,505 | $(4,523)$ | $(2,318)$ | $(2,323)$ |
| Net cash provided by operating activities |  | 26,081 | 71,945 | 137,218 | 21,452 |
| INVESTING ACTIVITIES: |  |  |  |  |  |
| Deposit on exercise of vessel purchase options |  | $(8,322)$ | - | - | - |
| Deferred dry dock and special survey costs |  | $(1,710)$ | - | - | - |
| Acquisition of vessels | 7,17 | $(110,831)$ | - | - | - |
| Purchase of property and equipment | 7 | (294) | $(4,264)$ | $(5,103)$ | $(36,447)$ |
| Proceeds from sale of fixed assets |  | 二 | 二 | 136 | 63,041 |
| Net cash (used in) provided by investing activities |  | $(121,157)$ | $(4,264)$ | $(4,967)$ | 26,594 |
| FINANCING ACTIVITIES: |  |  |  |  |  |
| Change in bank overdraft |  | - | - | - | $(1,492)$ |
| Proceeds from long term loan | 11 | 105,900 | - | 91,506 | 45,325 |
| Repayment of long term debt | 11 | $(126,870)$ | $(50,506)$ | $(139,189)$ | $(76,752)$ |
| Repayment of shareholders loan | 17 | $(8,622)$ | - | 367 | - |
| Deferred financing costs |  | $(3,787)$ | - | (438) | (41) |
| Acquisition of common stock |  | - | - | $(9,000)$ | (850) |
| Issuance of preferred stock |  | - | - | - | 6,440 |
| Redemption of preferred stock |  | - | - | $(15,189)$ | (686) |


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| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
|  |  | Successor |  |

## Non-cash investing and financing activities

- See Note 3 for assets and liabilities assumed in the down stream merger of ISE
- See Notes 7 and 17 for issuance of shares in connection with the acquisition of vessels

See notes to consolidated financial statements.

## NAVIOS MARITIME HOLDINGS INC.

 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
## (Expressed in thousands of US Dollars - except per share data)

|  | Number of Common Shares | Common |  | Additional Paid-in Capital |  | $\begin{gathered} \text { Loan } \\ \text { To } \\ \text { Shareholder } \\ \hline \end{gathered}$ |  | $\begin{gathered} \text { Legal } \\ \text { Reserve } \\ \text { (Restricted) } \end{gathered}$ |  | Retained Earnings | $\qquad$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Balance January 1, 2003 (Predecessor) | 1,000,000 | \$ | 100 | \$ | 70,407 | \$ | (367) | \$ | 47 | \$ $(28,546)$ | \$ | 41,641 |
| Net income | - |  | - |  | - |  | - |  | - | 55,501 |  | 55,501 |
| Movement in legal reserve | - |  | - |  | - |  | - |  | 88 | (88) |  | - |
| Cancellation of common stock | $(21,553)$ |  | (2) |  | (848) |  | - |  | - | - |  | (850) |
| Balance December 31, 2003 (Predecessor) | 978,447 |  | 98 |  | 69,559 |  | (367) |  | 135 | 26,867 |  | 96,292 |
| Net income | - |  | - |  | - |  | - |  | - | 127,132 |  | 127,132 |
| Movement in legal reserve | - |  | - |  | - |  | - |  | 154 | (154) |  |  |
| Repayment of shareholder loan | - |  | - |  | - |  | 367 |  | - | - |  | 367 |
| Dividends | - |  | - |  | - |  | - |  | - | $(40,000)$ |  | $(40,000)$ |
| Cancellation of common stock | $(103,863)$ |  | (11) |  | $(8,989)$ |  | - |  | - | - |  | $(9,000)$ |
| Balance December 31, 2004 (Predecessor) | 874,584 |  | 87 |  | 60,570 |  | - |  | 289 | 113,845 |  | 174,791 |
| Net income - year to August 25, 2005 | - |  | - |  | - |  | - |  | - | 51,337 |  | 51,337 |
| Movement in legal reserve | - |  | - |  | - |  | - |  | 163 | (163) |  | - |
| Balance August 25, 2005 (Predecessor) | 874,584 |  | 87 |  | 60,570 |  | - |  | 452 | 165,019 |  | 226,128 |
| Push down of purchase accounting | - |  | - |  | 547,310 |  | - |  | (452) | $(165,019)$ |  | 381,839 |
| Downstream merger | 39,025,416 |  | (83) |  | $(423,632)$ |  | - |  | - | - |  | $(423,715)$ |


| Issuance of common stock in connection with the acquisition of vessels (Note 7) | 4,339,319 |  | - | 21,345 |  | - |  | - |  |  |  | 21,345 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Net income August 26, 2005 <br> to December 31, 2005 | - |  | - | - |  | - |  | - |  | 2,161 |  | 2,161 |
| Balance December 31, 2005 (Successor) | 44,239,319 | \$ | 4 | \$ 205,593 | \$ | - | \$ | - | \$ | 2,161 | \$ | 207,758 |

See notes to consolidated financial statements.

## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FNANCIAL STATEMENTS

 (Experessed in thousands of US Dollars - except per share data)
## NOTE 1 - DESCRIPTION OF BUSINESS

On December 11, 2002, the shareholders of Anemos Maritime Holdings Inc. ("Anemos") and Navios orporation ("Navios") each contributed their respective interests for shares of a newly created entity named Nautilus Maritime Holdings, Inc. ("Nautilus"), a Marshall Islands corporation. For accounting purposes, Anemos was considered the acquirer. During 2003, Nautilus changed its name to Navios Maritime Holdings Inc

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among International Shipping Enterprises, Inc. ("ISE"), Navios Maritime Holdings Inc. ("Navios" or th "Company") and all the shareholders of Navios, ISE acquired Navios through the purchase of all of the outstanding shares of common stock. As a result of this acquisition, Navios became a wholly-owned subsidiary of ISE. In addition, on August 25, 2005, simultaneously with the acquisition of Navios, ISE effected a reincorporation from the State of Delaware to the Republic of the Marshall Islands through a downstream merger with and into its newly acquired wholly-owned subsidiary, whose name was and continued to be Navios Maritime Holdings Inc. (Note 3).
The purpose of the business combination was to create a leading international maritime enterprise focused on the: (i) transportation and handling of bulk cargoes through the ownership, operation and trading of vessels, (ii) forward freight agreements "FFAs" and (iii) ownership and operation of port and transfer station terminals. The Company operates a fleet of owned Ultra Handymax and Panamax vessels and a fleet of time chartered Panamax and Ultra Handymax vessels that are employed to provide worldwide transportation of bulk commodities. The Company actively engages in assessing risk associated with fluctuating future freight rates, fuel prices and foreign exchange and, where appropriate, will actively hedge identified economic risk with appropriate derivative instruments. Such economic hedges do not always qualify for accounting hedge treatment, and, as such, the usage of such derivatives could lead to material fluctuations in the Company's reported results from operations on a period-to-period basis.

The Company also operates a port and transfer facility located in Nueva Palmira, Uruguay. The facility consists of docks, conveyors and silo storage capacity totaling 270,440 tons (2004: 205,000 tons; 2003: 165,000 tons). During 2005, shipments totaled 2,057,700 tons (2004: 2,027,200 tons; 2003: 1,811,000 tons) of agricultural and other products.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation: The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).
(b) Principles of consolidation: The accompanying consolidated financial statements include the accounts of Navios Maritime Holdings Inc., a Marshall Islands corporation, and its majority owned subsidiaries (the "Company" or "Navios"). The consolidated financial statements for the period from August 26, 2005 to December 31, 2005 reflect the Company's consolidated financial position, results of operations and cash flows as successor while all other periods presented are for the predecessor company (see note 3). All significant inter-company balances and transactions have been eliminated in the consolidated statements.

Subsidiaries: Subsidiaries are those entities in which the Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net tangible and intangible assets acquired and liabilities assumed is recorded as goodwill.

## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (Experessed in thousands of US Dollars - except per share data)

Investments in Affiliates: Affiliates are entities over which the Company generally has between 20\% and $50 \%$ of the voting rights, or over which the Company has significant influence, but which it does no control. Investments in these entities are accounted for by the equity method of accounting. Under this method the Company records an investment in the stock of an affiliate at cost, and adjusts the carrying amount for its share of the earnings or losses of the affiliate subsequent to the date of investment and reports the recognized earnings or losses in income. Dividends received from an affiliate reduce the carrying amount of the investment. When the Company's share of losses in an affiliate equals or exceeds its interest in the affiliate, the Company does not recognize further losses, unless the Company has incurred obligations or made payments on behalf of the affiliate

Companies included in the consolidation:

| Company Name | Nature / Vessel Name | Country of Incorporation | Statement of operations |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\begin{gathered} 2005 \\ \text { Successor } \end{gathered}$ | $\begin{gathered} 2005 \\ \text { Predecessor } \end{gathered}$ | $\begin{gathered} 2004 \\ \text { Predecessor } \end{gathered}$ | $\frac{2003}{\text { Predecessor }}$ |
| Navios Maritime Holdings Inc. | Holding Company | Marshall Is. | 8/26-12/31 | 1/1-8/25 | 1/1-12/31 | 1/1-12/31 |
| Navios Corporation | Sub-Holding Company | Marshall Is. | 8/26-12/31 | 1/1-8/25 | 1/1-12/31 | 1/1-12/31 |
| Navios International Inc. | Operating Company | Marshall Is. | 8/26-12/31 | 1/1-8/25 | 1/1-12/31 | 1/1-12/31 |
| Navimax Corporation | Operating Company | Marshall Is. | 8/26-12/31 | 1/1-8/25 | 1-12/31 | 1/1-12/31 |
| Navios Handybulk Inc. | Operating Company | Marshall Is. | 8/26-12/31 | 1/1-8/25 | 1/1-12/31 | 1/1-12/31 |
| Corporation Navios SA | Operating Company | Uruguay | 8/26-12/31 | 1/1-8/25 | 1/1-12/31 | 1/1-12/31 |
| Hestia Shipping Ltd. | Operating Company | Malta | 10/20-12/31 | - | - | - |
| Anemos Maritime Holdings | Sub-Holding Company | Marshall Is. | 8/26-12/31 | 1/1-8/25 | 1/1-12/31 | 1/1-12/31 |
| Navios Shipmanagement Inc. | Management Company | Marshall Is. | 8/26-12/31 | 1/1-8/25 | 1/1-12/31 | 1/1-12/31 |
| Achilles Shipping Corporation | Navios Achilles | Marshall Is | 8/26-12/31 | 1/1-8/25 | 1/1-12/31 | 1/1-12/31 |
| Apollon Shipping Corporation | Navios Apollon | Marshall I | 8/26-12/31 | 1/1-8/2 | 1/1-12/31 | 1/1-12/31 |
| Herakles Shipping Corporation | Navios Herakles | Marshall Is. | 8/26-12/31 | 1/1-8/25 | 1/1-12/31 | 1/1-12/31 |
| Hios Shipping Corporation | Navios Hios | Marshall Is. | 8/26-12/31 | 1/1-8/25 | 1/1-12/31 | 3/20-12/31 |
| Ionian Shipping Corporation | Navios Ionian | Marshall Is. | 8/26-12/31 | 1/1-8/25 | 1/1-12/31 | 1/1-12/31 |
| Kypros Shipping Corporation | Navios Kypros | Marshall Is. | 8/26-12/31 | 1/1-8/25 | 1/1-12/31 | 2/28-12/31 |
| Meridian Shipping Enterprises Inc. | Navios Meridian | Marshall Is. | 11/30-12/31 | - | - | - |
| Mercator Shipping Corporation | Navios Mercator | Marshall Is. | 12/30-12/31 | - | - | - |

Libra Shipping Enterprises Corp. Alegria Shipping Corporation Felicity Shipping Corporation Gemini Shipping Corporation Arc Shipping Corporation Galaxy Shipping Corporation Horizon Shipping Enterprises C Magellan Shipping Corporation Acropolis Shipping \& Trading Inc. (i)

Navios Libra II Navios Alegri Navios Gemini S (ii) Navios Arc (iii) Navios Galaxy I (iv) Navios Horizon (iv) Navios Magellan (iv) Brokerage Company

Marshall Is.
Marshall Is. 12/22-12/31 $\begin{array}{ll}\text { Marshall Is. } & 12 / 22-12 / 31 \\ \text { Marshall Is. } & 12 / 27-12 / 31\end{array}$

| Liberia | $8 / 26-12 / 31$ | - | - | - |
| :---: | :---: | :---: | :---: | :---: |

(i) The company is $50 \%$ owned by Navios and is accounted for on the equity basis.
(ii) The vessel was acquired on January 5, 2006 (Note 23)
(iii) The vessel was acquired on February 10, 2006 (Note 23)
(iv) Navios Galaxy and Navios Magellan are expected to be delivered in the week starting March 20, 2006 and Navios Horizon in the first week of April 2006.

## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (Experessed in thousands of US Dollars - except per share data)

(c) Use of estimates: The preparation of consolidated financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, management evaluates the estimates and judgments, including those related to uncompleted voyages, future drydock dates, the carrying value of investments in affiliates, the selection of useful lives for tangible assets, expected future cash flows from investments in affiliates, the selection of useful lives for tangible assets, expected future cash flows from
long-lived assets to support impairment tests, provisions necessary for accounts receivables, provisions for legal disputes, pension benefits, and contingencies. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions and/or conditions.
(d) Cash and Cash equivalents: Cash and cash equivalents consist of cash on hand, deposits held on call with banks, and other short-term liquid investments with original maturities of three months or less.
(e) Restricted cash: Restricted cash consists of the restricted portion of derivative base and margin collaterals with NOS ASA, a Norwegian clearing house, and cash retention accounts which are restricted for use as general working capital unless such balances exceed installment and interest payments due to vessels' lenders. A portion of the amounts on deposit with NOS ASA are held as base and margin collaterals on active trades. As of December 31, 2005 and 2004, the restricted balance with NOS ASA was $\$ 1,000$ and $\$ 2,768$, respectively.

Also included in restricted cash as of December 31, 2005 and 2004 are amounts held as security in the form of letters of guarantee or letters of credit totaling $\$ 500$ and $\$ 745$, respectively. In addition at December 31, 2005 restricted cash includes $\$ 2,586$ held in retention accounts related to collateral for interest rate swaps and accrued interest on loans. No such retention accounts existed at December 31, 2004.
(f) Insurance claims: Insurance claims at each balance sheet date consist of claims submitted and/or claims in the process of compilation or submission (claims pending). They are recorded on the accrual basis and represent the claimable expenses, net of applicable deductibles, incurred through December 31 of each reported period, which are expected to be recovered from insurance companies. Any remaining costs to complete the claims are included in accrued liabilities. The classification of insurance claims into current and non-current assets is based on management's expectations as to their collection dates.
(g) Inventories: Inventories, which are comprised of lubricants and stock provisions on board the owned vessels, are valued at the lower of cost or market as determined on the first in first out basis or market value.
(h) Vessels, net: In connection with the acquisition / reincorporation, vessels owned by Navios (Predecessor) were recorded at fair market values as of August 25,2005 . Vessels acquisitions subsequent to that date are stated at historical cost, which consists of the contract price, any material expenses incurred upon acquisition (improvements and delivery expenses). Subsequent expenditures for major improvements and upgrading are capitalized, provided they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Expenditures for routine maintenance and repairs are expensed as incurred.

## NAVIOS MARITIME HOLDINGS INC.

## OTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (Experessed in thousands of US Dollars - except per share data)

Depreciation is computed using the straight line method over the useful life of the vessels, after considering the estimated residual value. Management estimates the useful life of the Company's vessel to be 25 years from the vessel's original construction. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is re-estimated to end at the date such regulations become effective.
(i) Port Terminal and Other Fixed Assets, net: In connection with the acquisition / reincorporation, the por terminal and other fixed assets owned by Navios (Predecessor) were stated at fair market value as of August 25, 2005. Acquisitions subsequent to that date are stated at cost and are depreciated utilizing the straight - line method at rates equivalent to their average estimated economic useful lives. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement and any gain or loss is included in the accompanying consolidated statements of operations.

Annual depreciation rates used, which approximate the useful life of the assets are:

| Port facilities and transfer station | 3 to 40 years |
| :--- | :--- |
| Furniture, fixtures and equipment | 3 to 10 years |
| Computer equipment and software | 5 years |
| Leasehold improvements | 6 years |

during the construction (until the asset is substantially complete and ready for its intended use) are capitalized. No interest was capitalized in any of the periods presented.
(k) Assets Held for Sale: It is the Company's policy to dispose of vessels and other fixed assets when suitable opportunities occur and not necessarily to keep them until the end of their useful life. The Company classifies assets and disposal groups as being held for sale in accordance with SFAS No. 144, "Accounting for the Impairment or the Disposal of Long-Lived Assets", when the following criteria are met: management has committed to a plan to sell the asset (disposal group); the asset (disposal group) is available for immediate sale in its present condition; an active program to locate a buyer and other actions equired to complete the plan to sell the asset (disposal group) have been initiated; the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale within one year; the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Long-lived assets or disposal groups classified as held for sale are measured at the lower of heir carrying amount or fair value less cost to sell. These assets are not depreciated once they meet the criteria to be held for sale. No assets were classified as held for sale in any of the periods presented.
(I) Impairment of Long Lived Assets: Vessels, other fixed assets and other long lived assets held and used by the Company are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. In accordance with FAS 144, management reviews valuations and compares them to the assets carrying mounts. Should the valuations indicate potential impairment, management determines projected undiscounted cash flows for each asset and compares it to its carrying amount. In the event that mpairment occurs, an impairment charge is recognized by comparing the asset's carrying amount to its stimated fair value. For the purposes of assessing impairment, long lived-assets are grouped at the lowest evels for which there are separately identifiable cash flows. No impairment loss was recognized for any of the periods presented

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(m) Deferred Dry-dock and Special Survey Costs: The Company's vessels are subject to regularly scheduled dry-docking and special surveys which are carried out every 30 or 60 months to coincide with the renewa of the related certificates issued by the Classification Societies, unless a further extension is obtained in are cases and under certain conditions. The costs of dry-docking and special surveys is deferred and amortized over the above periods or to the next dry-docking or special survey date if such has been determined. Unamortized dry-docking or special survey costs of vessels sold are written off to income in the year the vessel is sold. When vessels are acquired the portion of the vessels' capitalized cost that relates to dry-docking or special survey is treated as a separate component of the vessels' cost and is deferred and amortized as above. This cost is determined by reference to the estimated economic benefits to be derived until the next dry-docking or special survey. For the periods from August 26, 2005 to December 31, 2005 and from January 1, 2005 to August 25, 2005 and for the years ended December 31, 2004 and 2003 the amortization was $\$ 143, \$ 160$, $\$ 249$ and $\$ 309$, respectively. Accumulated amortization as of December 31, 2005 and 2004 was $\$ 143$ and $\$ 795$, respectively.
(n) Asset Retirement Obligation: The Company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations" as of January 1, 2003. This statement requires entities to record a legal obligation associated with the retirement of a tangible long lived asset in the period in which it is incurred. At December 31, 2005 and 2004, the asset balance was $\$ 22$ and $\$ 23$, respectively. At December 31, 2005 and 2004, the liability balance associated with the lease of port terminal was $\$ 30$ and $\$ 28$, respectively.
(o) Deferred Financing Costs: Deferred financing costs include fees, commissions and legal expenses associated with obtaining loan facilities. These costs are amortized over the life of the related debt using the effective interest rate method, and are included in interest expense. During December 2005, the Company refinanced the credit facility obtained on July 12, 2005 (Note 11), which was not accounted for in the same manner as a debt extinguishment. Therefore, fees paid to the bank associated with the new loan and, along with any existing unamortized premium or discount, are being amortized as an adjustment of interest expense over the remaining term of the new loan using the interest method. Costs incurred with third parties (such as legal fees) in connection with this refinancing were expensed as incurred. Amortization for the periods from August 26, 2005 to December 31, 2005 and from January 1, 2005 to August 25, 2005 and for the years ended December 31, 2004 and 2003 was $\$ 1,253, \$ 425, \$ 773$ and $\$ 565$, respectively.
(p) Goodwill and Other Intangibles: As required by SFAS No. 142 "Goodwill and Other Intangible Assets", goodwill acquired in a business combination initiated after June 30, 2001 is not to be amortized. Similarly intangible assets with indefinite lives are not amortized. Rather, SFAS 142 requires that goodwill be tested for impairment at least annually and written down with a charge to operations if the carrying amount exceeds the estimated fair value.

The Company evaluates impairment of goodwill using a two-step process. First, the aggregate fair value of the reporting unit is compared to its carrying amount including goodwill. If the fair value exceeds the carrying amount, no impairment exists. If the carrying amount of the reporting unit exceeds the fair value, then the implied fair value of the reporting unit's goodwill is compared with its carrying amount. The implied fair value is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that unit, as if the unit had been acquired in a business combination and the fair value of the unit was the purchase price. If the carrying amount of the goodwill exceeds the implied fair value, then goodwill impairment is recognized by writing the goodwill down to the implied fair value. The Company determined that there was no impairment of goodwill during the periods August 26, 2005 to December 31, 2005 and January 1, 2005 to August 25, 2005 and for the years ended December 31, 2004 and 2003.

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All of the Company's intangible assets were valued at August 25, 2005 in a process that included the use of independent appraisers. The fair value of the trade name was determined based on the "relief from royalty" method which values the trade name based on the estimated amount that a company would have to pay in an arms length transaction in order to use that trade name. The asset is being amortized under the straight line method over 32 years. Other intangibles that are being amortized, such as the amortizable portion of favorable leases, port terminal operating rights, backlog assets and liabilities, would be considered impaired if their fair market value could not be recovered from the future undiscounted cash flows associated with the asset. Vessel purchase options, which are included in favorable lease terms, are not amortized and would be considered impaired if the carrying value of an option, when added to the option price of the vessel, exceeded the fair market value of the vessel.

| Intangible assets | Years |
| :--- | ---: | ---: |
| Trade name | 32.0 |
| Favorable lease terms ${ }^{(*)}$ ) | 7.0 |
| Port terminal operating rights | 40.0 |
| Backlog asset — charter out | 2.8 |
| Backlog asset — port terminal | 3.6 |
| Backlog liability — charter out | 2.1 |

(*) The intangible asset associated with the favorable lease terms includes an amount of \$20,670 related to purchase options for the vessels as of August 25, 2005. As of December 31, 2005, $\$ 50$ had been transferred to the acquisiton cost of Navios Meridian. This amount is not amortized and should the purchase options be exercised, any unamortized portion of this asset will be capitalized as part of the cost of the vessel and will be depreciated over the remaining useful life of the vessel (Note 8)
(q) Foreign Currency Translation: The consolidated financial statements are prepared in US Dollars. The Company engages in worldwide commerce with a variety of entities. Although, its operations may expose it to certain levels of foreign currency risk, its transactions are predominantly US dollar denominated Additionally, the Company's wholly-owned Uruguayan subsidiary transacts a nominal amount of its operations in Uruguayan pesos, whereas the Company's wholly-owned vessel subsidiaries and the vessel management subsidiary transacts a nominal amount of their operations in Euros; however, all of the subsidiaries' primary cash flows are US dollar denominated. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Differences in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is either settled or translated, are recognized in the statement of operations. The foreign currency exchange losses recognized in the consolidated statement of operations or the period from August 26, 2005 to December 31, 2005 and from January 1, 2005 to August 25, 2005 and for the years ended December 31, 2004 and 2003 were $\$(110), \$(482), \$(197)$ and $\$(431)$, respectively.
(r) Provisions: The Company, in the ordinary course of business, is subject to various claims, suits and complaints. Management, in consultation with internal and external advisers, will provide for a contingen loss in the financial statements if the contingency had been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In accordance with SFAS No. 5, "Accounting for Contingencies", as interpreted by the FASB Interpretation

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No. 14, "Reasonable Estimation of the Amount of a Loss", if the Company has determined that the easonable estimate of the loss is a range and there is no best estimate within the range, the Company will provide the lower amount of the range. See Note 14, '"Uruguayan Subsidiary Legal Reserve" and Note 15, "Commitments and Contingencies" for further discussion.

The Company participates in Protection and Indemnity (P\&I) insurance coverage plans provided by mutual insurance societies known as P\&I clubs. Under the terms of these plans, participants may be required to pay additional premiums to fund operating deficits incurred by the clubs ("back calls"). Obligations for back calls are accrued annually based on information provided by the clubs regarding supplementary calls.

Provisions for estimated losses on uncompleted voyages and vessels time chartered to others are provided for in the period in which such losses are determined. At December 31, 2005, the balance for provision for loss making voyages in progress was $\$ 0(2004: \$ 1,345)$.
(s) Segment Reporting: The Company accounts for its segments in accordance with SFAS No. 131 "Disclosure about Segments of an Enterprise and Related Information". SFAS No. 131 requires descriptive information about its reportable operating segments. Operating segments, as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Based on the Company's methods of internal reporting and management structure, the Company has two reportable segments: Vessel Operations and Port Terminal.

## (t) Revenue and Expense Recognition:

Revenue Recognition: Revenue is recorded when services are rendered, the Company has a signed charter agreement or other evidence of an arrangement, the price is fixed or determinable, and collection is reasonably assured. The Company generates revenue from the following sources, (1) transportation of cargo, (2) time charter of vessels and, (3) port terminal operations in Uruguay. During the period January 1, 2003 to March 11, 2003 the Company also generated revenue from vessels contributed to the Navimax Pool, and a Navimax Pool management fee.

Voyage revenues for the transportation of cargo are recognized ratably over the estimated relative transi time of each voyage. To conform to U.S. GAAP, the Company changed its policy effective October 1 , 2005 , to recognize voyage expenses as incurred. The difference between the new method and the method reflected in the 2004 and 2003 financial statements is not material and, therefore, those periods have not been restated. A voyage is deemed to commence when a vessel is available for loading and is deemed to end upon the completion of the discharge of the current cargo. Estimated losses on voyages are provided for in full at the time such losses become evident. Under a voyage charter, we agree to provide a vessel for the transportation of specific goods between specific ports in return for payment of an agreed upon freight rate per ton of cargo

Revenues from time chartering of vessels are accounted for as operating leases and are thus recognized on a straight line basis as the average revenue over the rental periods of such charter agreements, as service is performed, except for loss generating time charters, in which case the loss is recognized in the period when such loss is determined. A time charter involves placing a vessel at the charterers' disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Short period charters for less than three months are referred to as spot-charters. Charters extending three months to a year are generally referred to as medium term charters. All other charters are considered long term. Under time charters, operating cost such as for crews, maintenance and insurance are typically paid by the owner of the vessel.
performed to unload barges (or trucks), transfer the product into the silos for temporary storage and then loading the ocean going vessels. Revenues are recognized upon completion of loading the ocean going vessels. Additionally, fees are charged for vessel dockage and for storage time in excess of contractually pecified terms. Dockage revenues are recognized ratably up to completion of loading. Storage fees are assessed and recognized when the product remains in the silo storage beyond the contractually agreed time allowed. Storage fee revenue is recognized ratably over the storage period and ends when the product is loaded onto the ocean going vessel.

Revenue from vessels contributed to Navimax Pool was recognized when earned. The Pool ceased operation on March 11, 2003. The Pool, which was managed by a subsidiary of the Company, recognized its revenue on a percentage of completion basis, based on per day estimates and ratably over the period. The Company's earnings represent its proportionate share of the Pool's revenue less operating expenses and management fee, determined by a predetermined formula agreed by pool participants.

Forward Freight Agreements (FFAs): Realized gains or losses from FFAs are recognized monthly oncurrent with cash settlements. In addition, quarterly the FFAs are "marked to market" to determine the air values which generate unrealized gains or losses. FFAs trading generally have not qualified as hedges for accounting purposes, and, as such, the trading of FFAs could lead to material fluctuations in the Company's reported results from operations on a period to period basis. See note 12.

Deferred Voyage Revenue: Deferred voyage revenue primarily relates to cash received from charterers prior to it being earned. These amounts are recognized as revenue over the voyage or charter period.

Time Charter, Voyage and Port Terminal Expense: Time charter and voyage expenses comprise all expenses related to each particular voyage, including time charter hire paid and voyage freight paid, bunkers, port charges, canal tolls, cargo handling, agency fees and brokerage commissions. Also included in time charter and voyage expenses are charterers' liability insurances, provision for losses on time charters and voyages in progress at year-end, direct port terminal expenses and other miscellaneous expenses

Direct Vessel Expense: Direct vessel expenses consist of all expenses relating to the operation of vessels, including crewing, repairs and maintenance, insurance, stores and lubricants and miscellaneous expenses such as communications and amortization of dry-docking and special survey costs.

Prepaid Voyage Costs: Prepaid voyage costs relate to cash paid in advance for expenses associated with voyages. These amounts are recognized as expense over the voyage or charter period.

## (u) Employee benefits:

Pension and retirement obligations-crew: The Company's ship-owning subsidiary companies employ the crew on board under short-term contracts (usually up to nine months) and, accordingly, they are not liable for any pension or postretirement benefits.

Provision for employees' severance and retirement compensation: The employees in the Company's office in Greece are protected by Greek labor law. Accordingly, compensation is payable to such employees upon dismissal or retirement. The amount of compensation is based on the number of years of service and the amount of remuneration at the date of dismissal or retirement. If the employees remain in the employment of the Company until normal retirement age, they are entitled to retirement compensation which is equal to $40 \%$ of the compensation

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amount that would be payable if they were dismissed at that time. The number of employees that will emain with the Company until retirement age is not known. The Company is required to annually value the statutory terminations indemnities liability. Management obtains a valuation from independent actuaries to assist in the calculation of the benefits. The Company provides, in full, for the employees' ermination indemnities liability. This liability amounted to \$20 and \$74 at December 31, 2005 and 2004, respectively.
U.S. Retirement savings plan: The Company sponsors a 401(k) retirement savings plan, which is categorized as a defined contribution plan. The plan is available to full time employees who meet the plan's eligibility requirements. The plan permits employees to make contributions up to $15 \%$ of their annual salary with the Company matching up to the first $6 \%$. The Company makes monthly contributions (matching contributions) to the plan based on amounts contributed by employees. Subsequent to making the matching contributions, the Company has no further obligations. The Company may make an additional discretionary contribution annually if such a contribution is authorized by the Board of Directors. The plan is administered by an independent professional firm that specializes in providing such services. See Note 13.

Other post-retirement obligations: The Company has a legacy pension arrangement for certain Bahamian, Uruguayan and former Navios Corporation employees. The entitlement to these benefits is only to these former employees. The expected costs of these benefits are accrued each year, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent actuaries.
(v) Financial Instruments: Financial instruments carried on the balance sheet include cash and cash equivalents, trade receivables and payables, other receivables and other liabilities, long-term debt and capital leases. The particular recognition methods applicable to each class of financial instrument are disclosed in the applicable significant policy description of each item, or included below as applicable

Financial risk management: The Company's activities expose it to a variety of financial risks including fluctuations in future freight rates, time charter hire rates, and fuel prices, credit and interest rates risk. Risk management is carried out under policies approved by executive management. Guidelines are established for overall risk management, as well as specific areas of operations.

Credit risk: The Company closely monitors its exposure to customers and counter-parties for credit risk The Company has policies in place to ensure that it trades with customers and counterparties with an ppropriate credit history. Derivative counter-parties and cash transactions are limited to high quality credit financial institutions.

Interest rate risk: The Company is party to interest rate swap agreements. The purpose of the agreements is to reduce exposure to fluctuations in interest rates. Any differential to be paid or received on an interest rate swap agreement is recognized as a component of other income or expense over the period of the agreement. Gains and losses on early termination of interest rate swaps are taken to the consolidated tatement of operations. The effective portion of changes in the fair value of interest rate swap agreement hat are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective portion is recognized in the statement of operations.

Liquidity risk: Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company monitors cash balances adequately to meet working capital needs

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Foreign exchange risk: Foreign currency transactions are translated into the measurement currency rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of operations.

## Accounting for derivative financial instruments and hedge activities:

The Company enters into dry bulk shipping FFAs as economic hedges relating to identifiable ship and or cargo positions and as economic hedges of transactions the Company expects to carry out in the normal course of its shipping business. By utilizing certain derivative instruments, including dry bulk shipping FFAs, the Company manages the financial risk associated with fluctuating market conditions. In entering into these contracts, the Company has assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. See Note 12.

The Company also trades dry bulk shipping FFAs with NOS ASA, a Norwegian clearing house. NOS ASA calls for both base and margin collaterals, which are funded by the Company, and which in turn substantially eliminates counterparty risk. Certain portions of these collateral funds may be restricted at any given time as determined by NOS ASA.

At the end of each calendar quarter, the fair value of dry bulk shipping FFAs traded over-the-counter are determined from an index published in London, United Kingdom and the fair value of those FFAs traded with NOS ASA are determined from the NOS valuation.

Pursuant to SFAS 133, the Company records all its derivative financial instruments and hedges as economic hedges. Since they neither qualify as a hedge nor do they meet the criteria for hedge accounting all gains or losses are reflected in the statement of operations. For the period August 26, 2005 to December 31, 2005 and January 1, 2005 to August 25, 2005 and the years ended December 31, 2004 and 2003, none of the FFAs, foreign exchange contracts or interest rate swaps qualifies for hedge accounting treatment. Accordingly, all gains or losses have been recorded in statement of operations for the periods presented.
(w) Earnings per Share: Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the periods presented. Diluted earnings per share reflect the potential dilution that would occur if securities or other contracts to issue common stock were exercised. Dilution has been computed by the treasury stock method whereby all of the Company's dilutive securities (the warrants) are assumed to be exercised and the proceeds used to repurchase common shares at the weighted average market price of the Company's common stock during the relevant periods. The incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) shall be included in the denominator of the diluted earnings per share computation.
(x) Income Taxes: The Company is a Marshall Islands Corporation. Pursuant to various treaties and the United States Internal Revenue Code, the Company believes that substantially all its operations are exempt from income taxes in the Marshall Islands and United States of America (Note 22).
(y) Dividends: Dividends are recorded in the Company's financial statements in the period in which they are declared.
(z) Guarantees: The Company accounts for guarantees in accordance with FASB Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". Under FIN 45 a liability for the fair value of the obligation undertaken in issuing the guarantee is recognized. However, this is limited to

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those guarantees issued or modified after December 31, 2002. The recognition of fair value is not required for certain guarantees such as the parent's guarantee of a subsidiary's debt to a third party or guarantees on product warranties. For those guarantees excluded from FIN 45's fair value recognition provision
financial statement disclosures of their terms are made

## (aa) Recent Accounting Pronouncements

In March 2005 the U.S. Securities and Exchange Commission, or SEC, released Staff Accounting Bulletin 07, "Share-Based Payments", or SAB 107. The interpretations in SAB 107 express views of the SEC taff, or staff, regarding the interaction between SFAS 123R and certain SEC rules and regulations, and provide the staff's views regarding the valuation of share-based payment arrangements for public companies. In particular, SAB 107 provides guidance related to share-based payment transactions with non-employees, the transition from nonpublic to public entity status, valuation methods (including assumptions such as expected volatility and expected term), the accounting for certain redeemable financial instruments issued under share-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, first-time adoption of SFAS 123R in an interim period, capitalization of compensation cost related to share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements upon adoption of SFAS 123R, the modification of employee share options prior to adoption of SFAS 123R and disclosures in Management's Discussion and Analysis subsequent to adoption of SFAS 123R. The adoption of this interpretation will not have an effect on the Company's statement of financial position or results of operations

In March 2005, the Financial Accounting Standards Board issued FIN 47 as an interpretation of FASB Statement No. 143, Accounting for Asset Retirement Obligations (FASB No. 143). This interpretation clarifies that the term conditional asset retirement obligation as used in FASB Statement No. 143, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. This interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of this interpretation did not have an effect on the Company's statement of financial position or results of operations.

In March 2005, the Financial Accounting Standards Board issued Statement No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3. The

Statement applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle. Statement No. 154 requires retrospective applications to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. Opinion 20 previously required that most voluntary change in accounting principle be ecognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. Statement No. 154 improves financial reporting because its requirements enhance the consistency of financial information between periods. The Company cannot determine what effect Statement No. 154 will have with regard to any future accounting changes. This statement will be effective for the Company for the fiscal year beginning on January 1, 2006.

On November 3, 2005, Financial Accounting Standards Board issued Financial Staff Position (FSP) numbers 115-1 and 124-1 providing guidance for the application of FAS 115. These FSPs are effective for the Company beginning on January 1, 2006 and address the determination as to

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when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. They also state that impairment of investments in debt securities must be assessed on an individual basis. Adoptions of these interpretations are not expected to have significant effect on the Company's statement of financial position or results of operations.

In February 2006, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 155 (SFAS 155) "Accounting for Certain Hybrid Instruments - an amendment of FASB Statements No. 133 and 140". SFAS 155 amends SFAS 133 to permit fair value measurement for certain ybrid financial instruments that contain an embedded derivative, provides additional guidance on the applicability of SFAS 133 and SFAS 140 to certain financial instruments and subordinated concentrations f credit risk. SFAS 155 is effective for the first fiscal year that begins after September 15, 2006. We are currently evaluating the impact SFAS 155 will have on our consolidated financial statements. This statement will be effective for the Company for the fiscal year beginning on January 1, 2007.

## NOTE 3 -ACQUISITION/ REINCORPORATION

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among International Shipping Enterprises, Inc. ("ISE"), Navios Maritime Holdings Inc. ("Navios" or the "Company") and all the shareholders of Navios, ISE acquired Navios through the purchase of all of its outstanding shares of common stock. As a result of this acquisition, Navios became a wholly-owned subsidiary of ISE. In addition, on August 25,2005 , simultaneously with the acquisition of Navios, ISE effected a
reincorporation from the State of Delaware to the Republic of the Marshall Islands through a downstream merger with and into its newly acquired wholly-owned subsidiary, whose name was and continued to be Navios Maritime Holdings Inc. As a result of the reincorporation, ISE transitioned from a shell company to an operating business and the operations of Navios became those of a publicly traded company. The Company reports to the Securitie and Exchange Commission under the rules governing Foreign Private Issuers.
This transaction was recorded in two steps. In step one, ISE recorded the $\$ 594.4$ million total cash purchase price, plus $\$ 14.2$ million in allocable transaction costs, by allocating such cost to the assets acquired in accordance with their fair market value on the acquisition date. The excess of the purchase price over the fair value of the assets acquired was recorded as goodwill. In step two, which immediately followed, ISE effected a "downstream merger" with and into Navios. The assets and liabilities of ISE, which reflected the acquisition of Navios, became the assets and liabilities of Navios. The shareholders' equity of ISE became the shareholders' equity of Navios. The results of operations of Navios to August 25, 2005, are labeled as "Predecessor" and remain historically reported. The results of operations from August 26, 2005 forward are labeled as "Successor" and reflect the combined operations of Navios and ISE. The Stock Purchase Agreement required a purchase price adjustment based on an EBITDA target for the period from January 1, 2005 to August 31, 2005. The $\$ 594.4$ million cash purchase price reflects a preliminary price adjustment based on the EBITDA target included in the contract and was adjusted by approximately $\$ 0.6$ million based on a final calculation.

Approximately $\$ 412.0$ million of the purchase price was obtained from a $\$ 514.4$ million secured credit facility, entered into on July 12, 2005 and funded on August 25, 2005, with HSH Nordbank AG which was refinanced on December 21, 2005 (Note 11). The senior secured credit facility was assumed by Navios in connection with the acquisition and reincorporation.
The purchase accounting adjustments, presented in the following table, result from a valuation process that included the use of independent appraisers. The amounts allocated to accrued liabilities and goodwill continue to be preliminary pending finalization and full implementation of the restructuring

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discussed below. The Company believes that the resulting balance sheet reflects the fair value of the assets and liabilities at the acquisition date at August 25, 2005. The following table also shows the roll forward of the balance sheet of Navios (predecessor) as of August 25, 2005 to Navios (successor) on August 25, 2005:

|  | August 25, 2005 |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Predecessor |  | Successor |  |  |  |  |  |
|  | Navios |  | ISE |  | Purchase Accounting |  | Navios |  |
| Cash and cash equivalents | \$ | 63,933 | \$ | 102,259 | \$ | - | \$ | 166,192 |
| Short term derivative assets |  | 53,800 |  | - |  | - |  | 53,800 |
| Short term backlog asset |  | - |  | - |  | 5,246 |  | 5,246 |
| Prepaid voyage costs |  | 7,416 |  | - |  | - |  | 7,416 |
| Other current assets |  | 10,700 |  | 657 |  | - |  | 11,357 |
| Total current assets |  | 135,849 |  | 102,916 |  | 5,246 |  | 244,011 |
| Vessels |  | 113,329 |  | - |  | 81,789 |  | 195,118 |
| Port terminal |  | 26,714 |  | - |  | (15) |  | 26,699 |
| Port terminal operating rights |  | - |  | - |  | 31,000 |  | 31,000 |
| Trade name |  | 1,947 |  | - |  | 88,053 |  | 90,000 |
| Favorable lease terms |  | - |  | - |  | 139,680 |  | 139,680 |
| Deferred financing cost |  | - |  | 9,143 |  | - |  | 9,143 |
| Investment in Navios |  | - |  | 593,764 |  | $(593,764)$ |  | - |
| Deferred acquisition cost |  | - |  | 14,203 |  | $(14,203)$ |  | - |
| Long term backlog asset |  | - |  | - |  | 9,584 |  | 9,584 |
| Other non-current assets |  | 6,890 |  | 9 |  | - |  | 6,899 |
| Goodwill |  | 226 |  | 二 |  | 40,563 |  | 40,789 |
| Total assets |  | 284,955 |  | 720,035 |  | $\underline{(212,067)}$ |  | 792,923 |
| Accounts payable |  | 4,711 |  | 10,496 |  | - |  | 15,207 |


| Accrued expenses |  | 5,889 |  | 2,296 |  | 1,360 |  | 9,545 |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Deferred voyage revenue |  | 10,103 |  | - |  | - |  | 10,103 |
| Short term derivative liability |  | 31,721 |  | - |  | - |  | 31,721 |
| Short term backlog liability |  | - |  | - |  | 6,052 |  | 6,052 |
| Notes due to shareholder |  | - |  | 8,621 |  | - |  | 8,621 |
| Current portion of long term debt |  | - |  | 173,870 |  | - |  | 173,870 |
| Total current liabilities |  | 52,424 |  | 195,283 |  | 7,412 |  | 255,119 |
| Long term debt |  | - |  | 340,500 |  | - |  | 340,500 |
| Long term backlog liability |  | - |  | - |  | 6,648 |  | 6,648 |
| Other long term liabilities |  | 6,404 |  | - |  | - |  | 6,404 |
| Total liabilities |  | 58,828 |  | 535,783 |  | 14,060 |  | 608,671 |
| Stockholder's equity |  | 226,127 |  | 184,252 |  | $(226,127)$ |  | 184,252 |
| Total liabilities \& stockholders' equity | \$ | 284,955 | \$ | $\underline{720,035}$ | \$ | $\underline{(212,067)}$ | \$ | $\underline{\text { 792,923 }}$ |

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## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (Experessed in thousands of US Dollars - except per share data)

The acquired intangible assets and liabilities at the acquisition date are listed below. Where applicable, they are amortized using the straight line method over the periods indicated below:

| Description | Fair Value As at August 26, 2005 |  | Weighted Average Amortization Period (Years) |
| :---: | :---: | :---: | :---: |
| Trade name | \$ | 90,000 | 32.0 |
| Favorable lease terms (*) |  | 139,680 | 7.0 |
| Port terminal operating rights |  | 31,000 | 40.0 |
| Backlog asset - charter out |  | 14,200 | 2.8 |
| Backlog asset - port terminal |  | 630 | 3.6 |
| Backlog liability - charter out |  | $(12,700)$ | 2.1 |
| Total | \$ | 262,810 |  |

(*) The intangible asset associated with the favorable lease terms includes an amount of $\$ 20,670$ related to purchase options for the vessels at the end of the lease term. This amount is not amortized and should the purchase options be exercised, any unamortized portion of this asset will be capitalized as part of the cost of the vessel and will be depreciated over the remaining useful life of the vessel (Note 8).

Goodwill arising from the acquisition has been allocated to the Company's segments as follows:

| Vessels operations | $\$ \quad 26,218$ |  |
| :--- | :---: | ---: |
| Port terminal operations | 14,571 |  |
|  |  | 40,789 |

At the time of the August 25, 2005 acquisition, ISE's senior management anticipated implementing a strategic post-acquisition plan for the relocation of the Company's offices in the United States from South Norwalk, Connecticut to New York City and of its existing offices in Piraeus, Greece to larger offices in Piraeus to house the Company's headquarters. Management has commissioned an internal task force to implement this plan. This cost will include the cost of lease terminations, the write off of leasehold improvements at the offices vacated and severance. This plan will be implemented during the first half of 2006. A provision for the $\$ 1,360$ cost of this plan has been included in the accompanying financial statements as a part of purchase accounting.
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## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

 (Experessed in thousands of US Dollars - except per share data)The following table presents the unaudited pro forma results as if the acquisition, downstream merger and related financing had occurred at the beginning of each of the periods presented during 2005 and 2004 (in thousands, except for numbers of and amounts per share):

|  | Years ended December 31, |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2005 |  | 2004 |  |
|  |  | Unaudited |  | Unaudited |
| Gross revenues | \$ | 235,006 | \$ | 279,184 |
| Net income | \$ | 24,822 | \$ | 80,359 |
| Basic earnings per share | \$ | 0.62 | \$ | 2.01 |
| Diluted earnings per share | \$ | 0.59 | \$ | 2.01 |
| Average shares outstanding during the period presented |  | 40,001,473 |  | 39,900,000 |
| Warrants assumed to be outstanding |  | 65,550,000 |  | 65,550,000 |
| Proceeds to Company on exercise of warrants |  | 327,750,000 |  | 327,750,000 |
| Assumed market price for repurchase of incremental shares |  | 5.15 |  | 5.00 |
| Number of shares assumed to be repurchased |  | 63,698,774 |  | 65,550,000 |
| Incremental shares on exercise of warrants |  | 1,851,226 |  | - |
| Total number of shares assumed to be outstanding for dilution purposes |  | 41,852,699 |  | 39,900,000 |

The unaudited pro forma results are for comparative purposes only and do not purport to be indicative of the results that would have actually been obtained if the acquisition, downstream merger and related financing had occurred at the beginning of each of the periods presented.

NOTE 4 - CASH AND CASH EQUIVALENTS
Cash and cash equivalents consist of the following:

|  | Successor |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: |
|  | December 31, 2005 |  | December 31, 2004 |  |
| Cash on hand and at banks | \$ | 22,089 | \$ | 18,647 |
| Short-term deposits and highly liquid funds |  | 15,648 |  | 28,111 |
| Total cash and cash equivalents | \$ | 37,737 | \$ | 46,758 |


|  | Successor |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: |
|  | December 31, 2005 |  | December 31, 2004 |  |
| Accounts receivables | \$ | 14,114 | \$ | 17,491 |
| Less: Provision for doubtful receivables |  | (411) |  | $(2,291)$ |
| Accounts receivables, net | \$ | 13,703 | \$ | 15,200 |

NAVIOS MARITIME HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Experessed in thousands of US Dollars - except per share data)

Changes to the provisions for doubtful accounts are summarized as follows:

| Allowance for doubtful receivables | Balance at Beginning of Period |  | Charges to Costs and expenses |  | Amount Utilized |  | Balance at End of Period |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Predecessor |  |  |  |  |  |  |  |  |
| Year ended December 31, 2003 | \$ | $(1,843)$ | \$ | $(1,512)$ | \$ | 491 | \$ | $(2,864)$ |
| Year ended December 31, 2004 |  | $(2,864)$ |  | (294) |  | 867 |  | $(2,291)$ |
| January 1, 2005 to August 25, 2005 |  | $(2,291)$ |  | - |  | 880 |  | $(1,411)$ |
| Successor |  |  |  |  |  |  |  |  |
| August 26, 2005 to December 31, 2005 (*) |  | - |  | (411) |  | - |  | (411) |

(*) All of the Company's accounts receivable were recorded at their estimated fair value on August 25, 2005 as part of the purchase accounting process discussed in Note 3. As a result, the reserve for doubtful accounts was eliminated at August 26, 2005.

Concentrations of credit risk with respect to accounts receivables are limited due to the Company's large number of customers, who are internationally dispersed and have a variety of end markets in which they sell. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables. For the periods August 26, 2005 to December 31, 2005 and January 1, 2005 to August 25, 2005, two customers from the Vessel Operations segment accounted for approximately $14.8 \%$ and $11.9 \%$ each of the Company's revenue, respectively. For the years ended December, 312004 and 2003, one customer from the Vessels Operation segment accounted for approximately $15.92 \%$ and $29.4 \%$ of the Company's revenue, respectively.

NOTE 6 - PREPAID EXPENSES AND OTHER CURRENT ASSETS
Prepaid expenses and other current assets consist of the following

|  | Successor |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: |
|  | December 31, 2005 |  | December 31, 2004 |  |
| Prepaid voyage costs | \$ | 3,793 | \$ | 11,120 |
| Claims receivables, net |  | 1,234 |  | 296 |
| Advances to agents |  | 829 |  | 1,492 |
| Inventories |  | 425 |  | 255 |
| Other |  | 157 |  | - |
| Total prepaid expenses and other current assets | \$ | 6,438 | \$ | 13,163 |

Claims receivable mainly represent claims against vessels' insurance underwriters in respect of damages arising from accidents or other insured risks. While it is anticipated that claims receivable will be recovered within one year, such claims may not all be recovered within one year due to the attendant process of settlement. Nonetheless, amounts are classified as current as they represent amounts current due to the Company. All amounts are shown net of applicable deductibles.

Advances to agents are made up of funds sent to port agents for port charges, tolls, canal fees and other voyage related expenses.

NAVIOS MARITIME HOLDINGS INC NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Experessed in thousands of US Dollars - except per share data)

## NOTE 7 - VESSELS, PORT TERMINAL AND OTHER FIXED ASSETS

| Vessels | Cost |  | Accumulated Depreciation |  | Net Book Value |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Balance January 1, 2004 (Predecessor) | \$ | 131,347 | \$ | $(10,597)$ | \$ | 120,750 |
| Additions |  | 385 |  | $(4,904)$ |  | $(4,519)$ |
| Balance December 31, 2004 (Predecessor) |  | 131,732 |  | $(15,501)$ |  | 116,231 |
| Additions |  | 311 |  | $(3,213)$ |  | $(2,902)$ |
| Balance August 25, 2005 (Predecessor) |  | 132,043 |  | $(18,714)$ |  | 113,329 |
| Revaluation in connection with purchase accounting |  | 63,075 |  | 18,714 |  | 81,789 |
| Additions |  | 147,153 |  | $(3,188)$ |  | 143,965 |
| Balance December 31, 2005 (Successor) | \$ | 342,271 | \$ | $(3,188)$ | \$ | 339,083 |
| Port Terminal |  | Cost |  | nulated |  | Net Book Value |
| Balance January 1, 2004 (Predecessor) | \$ | 18,930 | \$ | (564) | \$ | 18,366 |
| Transfer amounts from assets under construction |  | 1,448 |  | - |  | 1,448 |
| Additions |  | 1,814 |  | (667) |  | 1,147 |
| Disposals |  | (24) |  | 7 |  | (17) |
| Balance December 31, 2004 (Predecessor) |  | 22,168 |  | $(1,224)$ |  | 20,944 |
| Additions |  | 339 |  | (472) |  | (133) |
| Balance August 25, 2005 (Predecessor) |  | 22,507 |  | $(1,696)$ |  | 20,811 |
| Revaluation in connection with purchase accounting |  | 4,192 |  | 1,696 |  | 5,888 |
| Additions |  | 295 |  | (295) |  | - |
| Balance December 31, 2005 (Successor) | \$ | 26,994 | \$ | (295) | \$ | 26,699 |


|  |  |  | Depreciation |  | Value |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Balance January 1, 2004 (Predecessor) | \$ | 1,960 | \$ | (721) | \$ | 1,239 |
| Additions |  | 109 |  | (266) |  | (157) |
| Disposals |  | (229) |  | 171 |  | (58) |
| Balance December 31, 2004 (Predecessor) |  | 1,840 |  | (816) |  | 1,024 |
| Additions |  | 32 |  | (150) |  | (118) |
| Balance August 25, 2005 (Predecessor) |  | 1,872 |  | (966) |  | 906 |
| Revaluation in connection with purchase accounting |  | $(1,068)$ |  | 966 |  | (102) |
| Charge to relocation accrual |  | - |  | (517) |  | (517) |
| Additions |  | 6 |  | (78) |  | (72) |
| Balance December 31, 2005 (Successor) | \$ | 810 | \$ | (595) | \$ | 215 |

NAVIOS MARITIME HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Experessed in thousands of US Dollars - except per share data)

| Total | Cost |  | Accumulated Depreciation |  | Net Book Value |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Balance January 1, 2004 (Predecessor) | \$ | 152,237 | \$ | $(11,882)$ | \$ | 140,355 |
| Transfer from assets under construction |  | 1,448 |  | - |  | 1,448 |
| Additions |  | 2,308 |  | $(5,837)$ |  | $(3,529)$ |
| Disposals |  | (253) |  | 178 |  | (75) |
| Balance December 31, 2004 (Predecessor) |  | 155,740 |  | $(17,541)$ |  | 138,199 |
| Additions |  | 682 |  | $(3,835)$ |  | $(3,153)$ |
| Balance August 25, 2005 (Predecessor) |  | 156,422 |  | $(21,376)$ |  | 135,046 |
| Revaluation in connection with purchase accounting |  | 66,199 |  | 21,376 |  | 87,575 |
| Charge to relocation accrual |  | - |  | (517) |  | (517) |
| Additions |  | 147,454 |  | $(3,561)$ |  | 143,893 |
| Balance December 31, 2005 (Successor) | \$ | 370,075 | \$ | $(4,078)$ | \$ | 365,997 |

During December 2005, the Company acquired three vessels for a total consideration of approximately $\$ 95.0$ million from companies affiliated with the Company's CEO. The purchase price was paid with $\$ 65.1$ million drawn from the Company's credit facility, $\$ 8.5$ million from available cash and issuance of $4,339,319$ shares of Company's common stock. The stock issued in this transaction was valued at $\$ 4.96$ per share for the first two vessels and $\$ 4.82$ per share for the third vessel for a total value of $\$ 21.3$ million (Note 17).
Per SFAS 95, when some transactions are part cash and part non-cash, only the cash portion shall be reported in the statement of cash flows. Hence, the non cash effect of this common stock on Paid-in-Capital has to be offset against the total consideration of the vessels and is disclosed under non-cash investing and financing activities.

The Company has deposited $\$ 8,322$ in a restricted account in connection with the acquisition of four option vessels, the Navios Arc, Navios Magellan, Navios Horizon and Navios Galaxy, expected to be delivered in the first four months of 2006 (Note 23).

## NOTE 8 - INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets as of December 31, 2005 and 2004 consist of the following:


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NAVIOS MARITIME HOLDINGS INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Experessed in thousands of US Dollars - except per share data)

|  | SuccessorAmortizationExpenseAugust 26, 2005to December 31,2005 |  | Predecessor |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | AmortizationExpenseJanuary 1,2005 toAugust 25,2005 |  | Amortization Expense Year ended December 31, 2004 |  | Amortization Expense Year ended December 31, 2003 |  |
| Trade name | \$ | (986) | \$ | (57) | \$ | (88) | \$ | (87) |
| Port terminal operating rights |  | (272) |  | - |  | - |  | - |
| Favorable lease terms |  | $(7,727)$ |  | - |  | - |  | - |
| Backlog assets |  | $(2,067)$ |  | - |  | - |  | - |
| Backlog liabilities |  | 2,144 |  | - |  | - |  | - |
| Total | \$ | $(8,908)$ | \$ | (57) | \$ | (88) | \$ | (87) |

The aggregate amortization of acquired intangibles for the next five years will be as follows:

|  | Within one <br> Description |  |  |  |  |  |  |  |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Five Year |  |  |  |  |  |  |  |  |  |  |

## NOTE 9 - INVESTMENT IN AFFILIATES

The Company has a 50\% interest in Acropolis Chartering \& Shipping, Inc., a brokerage firm for freight and

NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

 (Experessed in thousands of US Dollars - except per share data)NOTE 10 - ACCRUED EXPENSES
Accrued expenses consist of the following:

|  | Successor |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: |
|  | December 31, 2005 |  |  | , 2004 |
| Payroll | \$ | 311 | \$ | 1,312 |
| Accrued Interest |  | 707 |  | 260 |
| Accrued voyage expenses |  | 2,191 |  | 1,442 |
| Provision for losses on voyages in progress |  | - |  | 1,345 |
| Accrued lease liability |  | 473 |  | 239 |
| Audit fees and related services |  | 1,261 |  | 142 |
| Finance fees |  | 2,601 |  | - |
| Relocation reserve |  | 840 |  | - |
| Professional fees |  | 1,120 |  | 10 |
| Other accrued expenses |  | 1,749 |  | 2,367 |
| Total accrued expenses | \$ | 11,253 | \$ | 7,117 |

NOTE 11 - BORROWINGS
Borrowings consist of the following:

|  | Successor |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: |
|  | December 31, 2005 |  | December 31, 2004 |  |
| 2004 Revolving Credit Facilities | \$ | - | \$ | 40,506 |
| 2004 Term Loan |  | - |  | 10,000 |
| Credit Facility |  | 493,400 |  | - |
| Total borrowings |  | 493,400 |  | 50,506 |
| Less current portion |  | $(54,221)$ |  | $(1,000)$ |
| Total long term borrowings | \$ | 439,179 | \$ | 49,506 |

Credit facility: On August 18, 2005, the Company closed out its then existing loan facility and repaid the $\$ 49.8$ million outstanding on that date. This prepayment was made using available funds and no penalties were incurred. On July 12, 2005, a new senior secured credit facility, with HSH Nordbank AG, was established by ISE to provide a portion of the funds necessary to acquire Navios and provide working capital for the Successor Company. This facility was assumed by the Company, and fully drawn on August 25, 2005. Of the $\$ 514.4$ million borrowed under this facility, $\$ 412.0$ million was used in connection with the acquisition/reincorporation. On December 21, 2005, the Company entered into a restated credit facility with HSH Nordbank AG under which it borrowed $\$ 649$ million. Of the $\$ 649$ million, $\$ 435$ million was used to restructure the balance of the credit facility described above and the remaining balance of $\$ 214$ million to finance the acquisition of ten new vessels. Of the \$214 million Navios has drawn \$106 million as of December 31, 2005.
The interest rate under the facility is LIBOR, plus the costs of complying with any applicable regulatory requirements and a margin ranging from $1.5 \%$ to $2.75 \%$ per annum, depending on the tranche being borrowed, and the applicable rate from interest rate swaps, which are required by the lender to limit the Company's exposure to interest rate fluctuations. Amounts drawn under the facility are secured by first preferred mortgages over the Company's vessels, general assignment of earning and charter agreements, insurance policies and pledge of shares. Outstanding amounts under the facility may be prepaid without penalty in multiples of $\$ 1.0$ million upon 10 days' written notice. The facility requires mandatory prepayment of amounts outstanding under the credit facility in the event of a sale or loss of assets, including the sale of a vessel in the ordinary course of business.

## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (Experessed in thousands of US Dollars - except per share data)

The credit facility contains a number of covenants, including covenants limiting, subject to specified exceptions, the payment of dividends, mergers and acquisitions, the incurrence of indebtedness and liens, and transactions with affiliates. The credit facility also requires compliance with a number of financial covenants including tangible net worth, debt coverage ratios, specified tangible net worth to total debt percentages and minimum liquidity. It is an event of default under the credit facility if such covenants are not complied with or if Angeliki Frangou, the Company's Chairman and Chief Executive Officer, beneficially owns less than $20 \%$ of the issued stock or does not remain actively involved in the operating business.

2004 Revolving Credit Facilities: On October 5, 2004, the Company entered into a revolving credit facility of \$51,000 collateralized by the vessels M/V Navios Apollon, M/V Navios Herakles and M/V Navios Ionian. The book value of the vessels collateralizing the revolving credit facility was $\$ 53,626$ at December 31, 2004. On each revolving facility reduction date the maximum revolving facility amount is to be reduced, by $\$ 1,700$. The "revolving facility date" means each one of the seventeen (17) dates falling at consecutive six (6) monthly intervals after the first advance date, up to, and including, the revolving facility availability termination date. Principal payments are due only when the balance on the facility is greater than or equal to the maximum revolving credit facility amount as determined after the reduction of each of the 17 revolving facility dates mentioned above, which as of December 31, 2004, are determined to be in 2013. The revolving credit facility bears interest at LIBOR plus $1 \%$. The Company must pay a fee of $0.3 \%$ per annum on the unused portion of the maximum revolving facility amount on a quarterly basis in arrears. The amount outstanding as of December 31, 2004 was $\$ 18,100$.

On October 4, 2004 the Company entered into a revolving credit facility of $\$ 55,000$ collateralized by the vessels M/V Navios Achilles, M/V Navios Hios and M/V Navios Kypros and a guarantee of Navios Maritime Holdings, Inc. The book value of the vessels collateralizing the revolving credit facility was $\$ 62,056$ at December 31, 2004. On each revolving facility reduction date, the maximum revolving facility amount is to be reduced, by $\$ 1,000$. The ""revolving facility date" means each one of the thirty five (35) dates falling at consecutive three (3) monthly intervals after the first advance date, up to, and including, the revolving facility availability termination date. Principal payments are due only when the balance on the facility is greater than or equal to the maximum revolving credit facility amount as determined after the reduction of each of the 35 revolving facility dates mentioned above, which as of December 31, 2004, are determined to be in 2013. The revolving credit facility bears interest at LIBOR plus $1 \%$. The Company must pay a fee of $0.3 \%$ per annum on the unused portion of the maximum revolving facility amount on a quarterly basis in arrears. The amount outstanding as of December 31, 2004 was $\$ 22,406$.
2004 Term Loan: On October 4, 2004, the Company entered into a $\$ 10,000$ term loan collateralized by the vessels M/V Navios Achilles, M/V Navios Hios, and M/V Navios Kypros, which is due October 2010. The book value of the vessels collateralizing the term loan was $\$ 62,056$ at December 31, 2004. The loan is repayable in twenty four consecutive quarterly installments of $\$ 250$ with a balloon payment of $\$ 4,000$ due upon maturity.

The principal payments of the credit facility outstanding balance as of December 31, 2005 for the next 5 years and thereafter are as follows:

| Year |  | Amount in million of USD |
| :--- | ---: | ---: |
|  | 54.2 |  |
| 2006 | 54.2 |  |
| 2008 | 54.2 |  |
| 2009 | 52.7 |  |
| 2010 | 52.7 |  |
| 2011 and thereafter | 225.4 |  |
|  |  | 493.4 |

## NOTE 12 - DERIVATIVES AND FAIR VALUE OF FINANCIAL INSTRUMENTS

## Interest rate risk

The Company entered into interest rate swap contracts as economic hedges to its exposure to variability in its floating rate long term debt. Under the terms of the interest rate swaps, the Company and the bank agreed to exchange at specified intervals, the difference between paying fixed rate and floating rate interest amount calculated by reference to the agreed principal amounts and maturities. Interest rate swaps allow the Company to convert long-term borrowings issued at floating rates into equivalent fixed rates. Even though the interest rate swaps were entered into for economic hedging purposes, the derivatives described below do not qualify for accounting purposes as cash flow hedges, under FASB Statement No. 133, Accounting for derivative instruments and hedging activities, as the Company does not have currently written contemporaneous documentation, identifying the risk being hedged, and both on a prospective and retrospective basis, performed an effective test supporting that the hedging relationship is highly effective. Consequently, the Company recognizes the change in fair value of these derivatives in the statement of operations.

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The principal terms of the interest rate swaps outstanding at December 31, 2005 and 2004 are as follows:

| December 31, Counterparty | $\begin{gathered} \text { HSH } \\ \text { Nordbank } \\ \hline \end{gathered}$ | $\begin{gathered} \text { HSH } \\ \text { Nordbank } \\ \hline \end{gathered}$ | Royal Bank of Scotland | Royal Bank of Scotland | $\begin{gathered} \text { Royal Bank of } \\ \text { Scotland } \end{gathered}$ | $\begin{aligned} & \text { Alpha } \\ & \text { Bank } \\ & \hline \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Notional | USD | USD | USD | USD | USD | USD |
|  | 171,000 | 82,000 | 11,375 | 13,430 | $10,500$ | $10,500$ |
|  | declining <br> 100,500 at | declining <br> 13,250 at | declining <br> 437 at | declining | declining$525 \text { at }$ | declining <br> 250 at |
|  | resetting | resetting | resetting | resetting |  | resetting |
|  | dates | dates | dates | dates | resetting dates until | dates |
|  | until | until | until | until | maturity | until |
|  | maturity date | maturity date | maturity date | maturity date |  | maturity date |
| Terms | 3 months <br> LIBOR for $4.74 \%$ | Floor 3 | Floor 6 | Floor 6 | 6 months <br> LIBOR for 5.57\% | Floor 3 |
|  |  | months | months | months |  | months |
|  |  | LIBOR | LIBOR | LIBOR |  | LIBOR |
|  |  | 4.45\% | 5.55\% | 5.54\% |  | 5.65\% |
|  |  | Cap 3 | Cap 6 | Cap 6 |  | Cap 6 |
|  |  | months | months | months |  |  |
|  |  | LIBOR | LIBOR | LIBOR |  | LIBOR |
|  |  | 5\% | 7.5\% | 7.5\% |  | 7.5\% |
| Resets | Quarterly | Quarterly | April and | April and | February and August | Quarterly |
|  |  |  | October | October |  |  |
| Inception | March | March | April | October | June 2001 | $\begin{gathered} \hline \text { July } \\ 2001 \end{gathered}$ |
|  | 2006 | 2007 | 2001 | 2001 |  |  |
| Maturity | March | June | October | October | February 2006 | $\begin{gathered} \hline \text { July } \\ 2010 \\ \hline \end{gathered}$ |
|  | 2007 | 2008 | 2010 | 2006 |  |  |

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| December 31, 2004 | Royal <br> Bank of <br> Scotland | Royal <br> Bank of <br> Scotland | Royal Bank of <br> Scotland | Alpha <br> Bank |
| :--- | :---: | :---: | :---: | :---: |
| Counterparty | USD | USD | USD | USD |
|  | 12,250 | 14,385 | 11,550 | 11,500 |
|  | declining | declining | declining | declining |
|  | 437 at | 478 at | 525 at | 250 at |
|  | each | each | each | each |
|  | resetting | resetting | resetting | resetting |
|  | dates | date until | date | date until |


|  | maturity date | maturity date | - | until maturity date 6 months LIBOR for 5.57\% |  | maturity date |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Terms | Floor 6 months | Floor 6 months |  |  | - | Floor 3 months |
|  | LIBOR | LIBOR |  |  |  | LIBOR |
|  | 5.55\% | 5.54\% |  |  |  | 5.65\% |
|  | Cap 6 | Cap 6 |  |  |  | Cap 3 |
|  | months | months |  |  |  | months |
|  | LIBOR | LIBOR |  |  |  | LIBOR |
|  | 7.5\% | 7.5\% |  |  |  | 7.5\% |
| Reset | April and | April and |  | February |  | Quarterly |
|  | October | October |  | and August |  |  |
| Inception | April | October |  | June 2001 |  | July |
|  | 2001 | 2001 |  |  |  | 2001 |
| Maturity | October | October |  | February 2006 |  | July |
|  | 2010 | 2006 |  |  |  | 2010 |

For the periods from August 26, 2005 to December 31, 2005 and from January 1, 2005 to August 25, 2005 and the years ended December 31, 2004 and 2003, the realized gain (loss) on interest rate swaps was $\$ 191, \$ 403$, $\$(301)$ and $\$(220)$, respectively. As of December 31, 2005 and 2004, the outstanding net liability was $\$ 915$ and $\$ 3,104$, respectively.
The swap agreements have been entered into by subsidiaries. The Royal Bank of Scotland swap agreements have been collateralized by a cash deposit of $\$ 1.8$ million. The Alpha Bank swap agreement has been guaranteed by the Company. The HSH Nordbank swap agreements are bound by the same securities as the secured credit facility.

## Foreign Currency Risk

The Company has not entered into any new Foreign Exchange Currency contracts (FEC') since March 28, 2005 During the period January 1, 2005 to March 28, 2005, the Company purchased $€ 3,000$ at an average rate of 1.30 with a sales value of $\$ 3,923$. During the year ended December 31, 2004, the Company purchased $€ 2,500$ at an average rate of 1.32 with a sales value of $\$ 3,290$.

These contracts mature within twelve months of the balance sheet date for all periods. As of December 31, 2005, all contracts had been settled. As of December 31, 2004, the fair value of all open contracts was $\$ 126$. The open contracts as of December 31, 2004, were settled quarterly between March 2005 and June 2005. The net (loss) gain from FECs recognized in the consolidated statement of operations amounted to \$(98), \$(462), \$219 and $\$ 432$ for the periods August 26, 2005 to December 31, 2005 and January 1, 2005 to August 25, 2005 and for the years ended

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## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (Experessed in thousands of US Dollars - except per share data)

December 31, 2004 and 2003, respectively. The unrealized gain (loss) from FECs amounted to $\$ 212$ for the period August 26 to December 31, 2005, \$(338) for the period January 1 to August 25, 2005, \$(44) and $\$ 170$ for the years ended December 31, 2004 and 2003, respectively.

## Forward Freight Agreements (FFAs)

The Company actively trades in the FFAs market with both an objective to utilize them as economic hedging instruments that are highly effective in reducing the risk on specific vessel(s), freight commitments, or the overall fleet or operations, and to take advantage of short term fluctuations in the market prices. FFAs trading generally have not qualified as hedges for accounting purposes, and, as such, the trading of FFAs could lead to material fluctuations in the Company's reported results from operations on a period to period basis.

Dry bulk shipping FFAs generally have the following characteristics: they cover periods from one month to one year; they can be based on time charter rates or freight rates on specific quoted routes; they are executed between two parties and give rise to a certain degree of credit risk depending on the counterparties involved; they are settled monthly based on publicly quoted indices.

At December 31, 2005 and 2004, none of the "mark to market" positions of the open dry bulk FFA contract qualified for hedge accounting treatment. Dry bulk FFAs traded by the Company that do not qualify for hedge accounting are shown at fair value through the statement of operations.
The net (losses) gains from FFAs amounted to \$(2,766), \$2,869, \$57,746 and \$51,115 for the periods from August 26, 2005 to December 31, 2005 and from January 1, 2005 to August 25, 2005 and the years ended December 31, 2004 and 2003, respectively.
During the periods from August 26, 2005 to December 31, 2005 and from January 1, 2005 to August 25, 2005 and the years ended December 31, 2004 and 2003, the changes in net unrealized (losses) gains on FFAs amounted to $\$(17,074), \$(23,793), \$ 599$ and $\$ 45,905$, respectively.
The open dry bulk shipping FFAs at net contracted (strike) rate after consideration of the fair value settlement rates is summarized as follows:

| Forward Freight Agreements (FFAs) | Successor |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: |
|  | December 31, 2005 |  | December 31, 2004 |  |
| Short term FFA derivative asset | \$ | 45,818 | \$ | 111,131 |
| Long term FFA derivative asset |  | - |  | 708 |
| Short term FFA derivative liability |  | $(39,578)$ |  | $(63,981)$ |
| Long term FFA derivative liability |  | - |  | (752) |
| Net fair value on FFA contracts | \$ | 6,240 | \$ | 47,106 |
| NOS FFAs portion of fair value transferred to NOS derivative account | \$ | (331) | \$ | $(1,947)$ |

The open interest rate swaps, after consideration of their fair value, are summarized as follows:

| Interest Rate Swaps | Successor |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: |
|  | December 31, 2005 |  | December 31, 2004 |  |
| Short term interest rate swap asset | \$ | 69 | \$ | - |
| Long term interest rate swap asset |  | 28 |  | - |
| Short term interest rate swap liability |  | (414) |  | $(1,411)$ |
| Long term interest rate swap liability |  | (598) |  | $(1,692)$ |
| Net fair value of interest rate swap contract | \$ | (915) | \$ | $(3,103)$ |


|  | Successor |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: |
| Forward Exchange Contracts (FECs) | December 31, 2005 |  | December 31, 2004 |  |
| Short term FECs derivative (liability) asset | \$ | - | \$ | 126 |

## Reconciliation of balances

Total of balances related to derivatives and financial instruments:

|  | Successor |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: |
|  | December 31, 2005 |  | December 31, 2004 |  |
| FFAs | \$ | 6,240 | \$ | 47,106 |
| NOS FFAs portion of fair value transferred to NOS derivative account |  | (331) |  | $(1,947)$ |
| Interest rate swaps |  | (915) |  | $(3,103)$ |
| FECs |  | - |  | 126 |
| Total | \$ | 4,994 | \$ | 42,182 |

Balance Sheet Values

|  | Successor |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: |
|  | December 31, 2005 |  | December 31, 2004 |  |
| Total short term derivative asset | \$ | 45,556 | \$ | 109,310 |
| Total long term derivative asset |  | 28 |  | 708 |
| Total short term derivative liability |  | $(39,992)$ |  | $(65,392)$ |
| Total long term derivative liability |  | (598) |  | $(2,444)$ |
| Total | \$ | 4,994 | \$ | 42,182 |

## Fair value of financial instruments

The Following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents: The carrying amounts reported in the consolidated balance sheets for interest bearing deposits approximate their fair value because of the short maturity of these investments.

Forward Contracts: The estimated fair value of forward contracts and other assets was determined based on quoted market prices.
Borrowings: The carrying amount of the floating rate loan approximates its fair value.
Interest rate swaps: The fair value of the interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swaps at the reporting date by obtaining quotes from financial institutions.

Forward freight agreements: The fair value of forward freight agreements is the estimated amount that the Company would receive or pay to terminate the agreement at the reporting date by obtaining quotes from brokers or exchanges.

## NAVIOS MARITIME HOLDINGS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Experessed in thousands of US Dollars - except per share data)
The estimated fair values of the Company's financial instruments are as follows:

|  | Successor |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: |
|  | December 31, 2005 |  | December 31, 2004 |  |
|  | Book Value | Fair Value | Book Value | Fair Value |
| Cash and short term investments | 41,823 | 41,823 | 50,271 | 50,271 |
| Trade receivables | 13,703 | 13,703 | 15,200 | 15,200 |
| Accounts payable | $(13,886)$ | $(13,886)$ | $(14,883)$ | $(14,883)$ |
| Long term debt | $(493,400)$ | $(493,400)$ | $(50,506)$ | $(50,506)$ |
| Interest rate swaps | (915) | (915) | $(3,103)$ | $(3,103)$ |
| Forward Freight Agreements, net | 6,240 | 6,240 | 47,106 | 47,106 |

NOTE 13 - EMPLOYEE BENEFIT PLANS

## Retirement Saving Plan

The Company sponsors an employee saving plan covering all of its employees in the United States. The Company's contributions to the employee saving plan during the periods from August 26, 2005 to December 31, 2005 and from January 1, 2005 to August 25, 2005 and the years ended December 31, 2004 and 2003 were approximately $\$ 53, \$ 204, \$ 267$ and $\$ 273$, respectively, which included a discretionary contribution of $\$ 26, \$ 107$, \$137 and \$153, respectively.

## Defined Benefit Pension Plan

The Company sponsors a legacy unfunded defined benefit pension plan that covers certain Bahamian and Uruguayan nationals and former Navios Corporation employees. The liability related to the plan is recognized based on actuarial valuations. The current portion of the liability is included in accrued expenses and the noncurrent portion of the liability is included in other long term liabilities. There are no pension plan assets.

The Greek office employees are protected by the Greek Labor Law. According to the law, the Company is required to pay retirement indemnities to employees on dismissal, or on leaving with an entitlement to a full security retirement pension. The amount of the compensation is based on the number of years of service and the amount of the monthly remuneration including regular bonuses at the date of dismissal or retirement up to a maximum of two years salary. If the employees remain in the employment of the Company until normal retirement age, the entitled retirement compensation is equal to $40 \%$ of the compensation amount that would be payable if they were dismissed at that time. The number of employees that will remain with the Company until retirement age is not known. The Company considers this plan equivalent to a lump sum defined benefit pension plan and accounts it under FAS Statement No. 87 "Employer's Accounting for Pension".

## Post-employment medical and life insurance benefits

The Company also sponsors a legacy post-retirement medical plan that covers certain US retirees of Navios Corporation. The unfunded liability related to post-retirement medical and life insurance is recognized based on actuarial valuations. The current portion of the liability is included in accrued expenses and the non-current portion of the liability is included in other long term liabilities.

The Company uses December 31 as the measurement date of its plans.

|  | Pension Benefits |  | Other Benefits |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Successor | Predecessor | Successor | Predecessor |
|  | $\begin{gathered} \hline \text { December 31, } \\ 2005 \\ \hline \end{gathered}$ | $\begin{gathered} \text { December 31, } \\ 2004 \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { December 31, } \\ 2005 \\ \hline \end{gathered}$ | $\begin{gathered} \text { December 31, } \\ 2004 \\ \hline \end{gathered}$ |
| Benefit obligation at beginning of year | 367 | 393 | 745 | 652 |
| Service cost | 6 | 7 | - | - |
| Interest cost | 18 | 22 | 42 | 39 |
| Plan participants' contributions | - | - | - | - |
| Amendments | - | - | - | - |
| Amortization of prior service cost | 4 | - | - | - |
| Actuarial (gain) loss | 18 | (5) | 47 | 88 |
| Benefits paid | (87) | (50) | (37) | (34) |
| Benefit obligation at end of year | 326 | 367 | 797 | 745 |
| Funded status (*) | (326) | (367) | (797) | (745) |
| Unrecognized net actuarial loss (gain) | - | - | - | - |
| Unrecognized prior service cost (benefit) | - | - | - | - |
| Net amount recognized | (326) | (367) | (797) | (745) |

(*) All of the Company's plans are unfunded
Amounts recognized on the balance sheets consist of:

|  | Pension Benefits |  | Other Benefits |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Successor | Predecessor | Successor | Predecessor |
|  | $\begin{gathered} \hline \text { December 31, } \\ 2005 \end{gathered}$ | $\begin{gathered} \text { December 31, } \\ 2004 \end{gathered}$ | $\begin{gathered} \hline \text { December 31, } \\ 2005 \end{gathered}$ | $\begin{gathered} \text { December 31, } \\ 2004 \end{gathered}$ |
| Prepaid benefit cost | - | - | - | - |
| Accrued benefit cost | (326) | (367) | (797) | (745) |
| Intangible assets | - | - | - | - |
| Accumulated other comprehensive income | - | - | - | - |
| Net amount recognized | (326) | (367) | (797) | (745) |

The accumulated benefit obligation for all benefit pension plans, including the Greek indemnity plan was \$326 and $\$ 367$ at December 31, 2005 and 2004, respectively.
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## NAVIOS MARITIME HOLDINGS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Experessed in thousands of US Dollars - except per share data)

Components of Net Periodic Benefit Expense

|  | Pension Benefits |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \hline \text { Successor } \\ \hline \text { August 26 to } \\ \text { December 31, } \\ 2005 \\ \hline \end{gathered}$ |  | Predecessor <br> January 1 to <br> August 25, <br> 2005 |  | PredecessorYear endedDecember 31,2004 |  | PredecessorYear endedDecember 31,2003 |  |
|  |  |  |  |  |  |  |  |  |
| Service cost | \$ | 2 | \$ | 4 | \$ | 7 | \$ | 5 |
| Interest cost |  | 5 |  | 13 |  | 22 |  | 23 |
| Expected return on plan assets |  | - |  | - |  | - |  | - |
| Amortization of prior service cost |  | 4 |  | - |  | - |  | - |
| Amortization of net actuarial (gain) loss |  | 8 |  | 10 |  | (5) |  | 39 |
| Regular net periodic benefit cost | \$ | 19 | \$ | 27 | \$ | 24 | \$ | 67 |
| Other income |  | - |  | (26) |  | - |  | - |
| Total net periodic benefit cost |  | 19 |  | 1 |  | 24 |  | 67 |
|  |  |  |  | Other | en |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Service cost | \$ | - | \$ | - | \$ | - | \$ | - |
| Interest cost |  | 14 |  | 28 |  | 39 |  | 45 |
| Expected return on plan assets |  | - |  | - |  | - |  | - |
| Amortization of prior service cost |  | - |  | - |  | - |  | - |
| Amortization of net actuarial (gain) loss |  | 39 |  | 8 |  | 88 |  | (42) |
| Regular net periodic benefit cost | \$ | 53 | \$ | 36 | \$ | 127 | \$ | 3 |
| Other income |  | - |  | - |  | - |  | - |
| Total net periodic benefit cost |  | 53 |  | 36 |  | 127 |  | 3 |

Assumptions
Weighted average assumptions used to determine benefit obligations:

|  | Pension Benefits |  | Other Benefits |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Successor | Predecessor | Successor | Predecessor |
|  | $\begin{gathered} \hline \text { December 31, } \\ 2005 \\ \hline \end{gathered}$ | $\begin{gathered} \text { December 31, } \\ 2004 \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { December 31, } \\ 2005 \\ \hline \end{gathered}$ | $\begin{gathered} \text { December 31, } \\ 2004 \\ \hline \end{gathered}$ |
| Discount rate | 5.50\% | 5.75\% | 5.50\% | 5.75\% |
| Rate of compensation increase | 4.50\% | 4.50\% | n/a | n/a |

Weighted average assumption used to determine net periodic benefit cost:

Discount rate
Expected long-term return on plan assets Rate of compensation increase

| Pension Benefits |  |  |  |
| :---: | :---: | :---: | :---: |
| Successor | Predecessor | Predecessor | Predecessor |
| August 26 to December 31, 2005 | $\begin{gathered} \text { January 1 to } \\ \text { August 25, } \\ 2005 \\ \hline \end{gathered}$ | Year ended December 31, 2004 | Year ended December 31, 2003 |
| 5,75\% | 5.75\% | 6.25\% | 6.75\% |
| - | - | - | - |
| 4.50\% | 4.50\% | 4.50\% | 4.50\% |

NAVIOS MARITIME HOLDINGS INC.

## OTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

 (Experessed in thousands of US Dollars - except per share data)|  | Other Benefits |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Successor | Predecessor | Predecessor | Predecessor |
|  | $\begin{gathered} \text { August } 26 \text { to } \\ \text { December 31, } \\ 2005 \end{gathered}$ | $\begin{gathered} \text { January } 1 \text { to } \\ \text { August 25, } \\ 2005 \\ \hline \end{gathered}$ | Year ended December 31, 2004 | Year ended December 31, 2003 |
| Discount rate | 5.75\% | 5.75\% | 6.25\% | 6.75\% |
| Expected long-term return on plan assets | - | - | - | - |
| Rate of compensation increase | - | - | - | - |

Assumed health care cost trend rates:

|  | Successor | Predecessor |
| :---: | :---: | :---: |
|  | $\begin{gathered} \hline \text { December 31, } \\ 2005 \\ \hline \end{gathered}$ | $\begin{gathered} \hline \text { December 31, } \\ 2004 \\ \hline \end{gathered}$ |
| Health care cost trend rate assumed for next year | 10\% | 10\% |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 0.5\% | 0.5\% |
| Year that the rate reaches the ultimate trend rate | 2015 | 2014 |

Discount rates according to actuarial reports have been determined for U.S. employees by reference to the Moody's Aa Corporation Bond Rate rounded to the next higher $0.25 \%$ and for Greek employees by reference to the yield on Greek Government Bonds. No adjustments were made for differences between the terms of the bonds and the term of the benefit obligations.
Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

|  | 1-Percentage-Point <br> Increase |  | 1-Percentage-Point <br> Decrease |  |
| :--- | ---: | ---: | ---: | :---: |
|  | 46 | 38 |  |  |
| Effect on total of service and interest cost | 871 | 732 |  |  |

## Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

|  | Pension Benefits |  |  |
| :--- | ---: | ---: | ---: |
|  | Other Benefits |  |  |
| 2006 | 51 | 47 |  |
| 2007 | 49 | 50 |  |
| 2009 | 43 | 52 |  |
| 2010 | 38 | 55 |  |
| 2011 to 2015 | 36 | 58 |  |
|  | 117 | 319 |  |

NOTE 14 - URUGUAYAN SUBSIDIARY LEGAL RESERVE
The Company's Uruguayan subsidiary maintains a retained earnings reserve, as required by Uruguayan law. This law states that $5 \%$ of each year's net income must be set aside until the reserve equals $20 \%$ of the subsidiary's paid in capital. As of December 31, 2005 and 2004, this reserve totals $\$ 451$ and $\$ 289$, respectively. As a result of the acquisition of Navios by ISE and the subsequent downstream merger with and into its newly acquired wholly owned subsidiary, Navios, the legal reserve is no longer presented as a separate component of stockholders' equity on the face of the balance sheet at December 31, 2005.

## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Experessed in thousands of US Dollars - except per share data)
NOTE 15 - COMMITMENTS AND CONTINGENCIES:
The Company as of December 31, 2005 was contingently liable for letters of guarantee and letters of credit amounting to $\$ 500$ (2004: \$745) issued by various banks in favor of various organizations. These are collateralized by cash deposits, which are included as a component of restricted cash.
The Company has issued guarantees, amounting to $\$ 2.3$ million (2004:\$71) at December 31, 2005 to third parties where the Company irrevocably and unconditionally guarantees subsidiaries obligations under dry bulk shipping FFAs. The guarantees remain in effect for a period of six months following the last trade date, which was December 15, 2005.
The Company is involved in various disputes and arbitration proceedings arising in the ordinary course of business. Provisions have been recognized in the financial statements for all such proceedings where the Company believes that a liability may be probable, and for which the amounts are reasonably estimable, based upon facts known at the date the financial statements were prepared. In the opinion of management, the ultimate disposition of these matters is immaterial and will not adversely affect the Company's financial position, results of operations or liquidity.
The Company, in the normal course of business, entered into contracts to time charter-in vessels for various periods through July 2015.

NOTE 16 - LEASES

## Charters-in:

As of December 31, 2005, the Company had 21 chartered-in vessels in operation (6 Ultra Handymax and 15 Panamax vessels). The Company has options to purchase six of these vessels, all of which options have been exercised in 2005. The first two of the option vessels were delivered on November 30, 2005 and December 30, 2005, respectively, the third option vessel was delivered on February 10, 2006 (Note 23) while two of the remaining three are expected to be delivered in the week starting March 20, 2006 and the third in the first week of April 2006.

The future minimum commitments, net of commissions under charters in are as follows (in thousands):

## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

 (Experessed in thousands of US Dollars - except per share data)
## Charters-out:

The future minimum revenue, net of commissions, expected to be earned on non-cancelable time charters is as follows (in thousands):

|  | Amount |
| :--- | ---: |
| 2006 | $\$ 109,508$ |
| 2007 | 37,922 |
| 2008 | 4,992 |

Revenues from time charter are not generally received when a vessel is off-hire, including time required for normal periodic maintenance of the vessel. In arriving at the minimum future charter revenues, an estimated time off-hire to perform periodic maintenance on each vessel has been deducted, although there is no assurance that such estimate will be reflective of the actual off-hire in the future.

## Office space:

The future minimum commitments under lease obligations for office space are as follows (in thousands):

|  | Amount |
| :--- | ---: |
|  | $\$ 80$ |
| 2007 | 336 |
| 2008 | 350 |
| 2009 | 361 |
| 2010 | 361 |
| 2011 and thereafter | 166 |
| Net minimum lease payments | $\$ 1,954$ |

On January 2, 2006 the Company relocated its headquarters to new leased premises in Piraeus, Greece. In 2001, the Company entered into a ten-year lease for office facilities in Norwalk USA, that expires in June 2011. The above table only incorporates the lease commitment on the offices in South Norwalk, Connecticut. See Notes 3 and 23 for further information on the office relocation and the new lease.

## NOTE 17 - TRANSACTIONS WITH RELATED PARTIES

Vessel acquisitions: On December 19, 2005 Navios entered into an agreement to purchase four Panamax vessels from Maritime Enterprises Management S.A., a company affiliated with the Company's CEO and the Manager of the selling owning companies of the vessels below. On December 22, 2005 Navios took delivery of the first two vessels the Navios Libra II built in 1995 and the Navios Alegria built in 2004, owned by Sealand Access S.A. and Victory Confidence S.A., respectively. The third vessel, the Navios Felicity built in 1997 and owned by Mercury Marine S.A., was delivered on December 27, 2005 and the fourth vessel, the Navios Gemini S built in 1994 and owned by Shipcare Dominion S.A., was delivered on January 5, 2006. The total acquisition cost for the four new vessels including backlogs was $\$ 119.8$ million (cost related to the three vessels delivered during 2005 was $\$ 95.0$ million) and was funded with (a) \$13.0 million ( $\$ 8.5$ million related to vessels delivered in 2005) of Navios' available cash; (b) $\$ 80.3$ million ( $\$ 65.1$ million related to vessels delivered in 2005) from bank financing and (c) through the issuance of $5,500,854$ shares $(4,339,319$

## (Experessed in thousands of US Dollars - except per share data)

shares relates to vessels delivered) of Navios authorized capital at $\$ 4.96$ per share for Navios Alegria $(1,840,923$ shares) and Navios Libra II ( $1,227,282$ shares), $\$ 4.82$ per share for Navios Felicity ( $1,271,114$ shares) and $\$ 4.42$ per share for Navios Gemini S. (1,161,535 shares) (Note 23).
Purchase of services: The Company utilizes Acropolis Chartering and Shipping Inc. ("Acropolis") as a broker. Commissions paid to Acropolis for the periods from August 26, 2005 to December 31, 2005 and January 1, 2005 to August 25, 2005 and during the years ended December 31, 2004 and 2003 were $\$ 455, \$ 157$, $\$ 877$ and $\$ 597$, respectively. The Company owns fifty percent of the common stock of Acropolis. During the periods August 26, 2005 to December 31, 2005 and January 1, 2005 to August 25, 2005 and the years ended December 31, 2004 and 2003 the Company received dividends of $\$ 0, \$ 972, \$ 699$ and 78 , respectively.
During the year ended December 31, 2003, Navios (predecessor) utilized Levant Maritime Company Ltd. ("Levant") as an agent. Agency fees paid to Levant amounted to $\$ 1,003$. Levant is a company that is not included in the consolidated financial statements. The management of Levant was carried out by one of the Navios (predecessor) former directors and stockholders. Levant ceased to provide services to Navios (predecessor) in 2003.

Loans from stockholders: Prior to acquisition of the Company on August 25, 2005, an initial stockholder of International Shipping Enterprises, Inc. (the''ISE"'), who became an officer and principal stockholder of the Company, advanced a total of $\$ 8.6$ million to ISE in the form of non-interest bearing loans. These funds were used to pay costs related to the acquisition and were repaid by the Company following completion of the August 25, 2005 transaction.

Loans to shareholders: In November 2002 Navios (predecessor) issued a promissory note for $\$ 367$ to Kastella Trading, Inc. ("Kastella"), a Marshall Islands corporation. Interest was accrued at $4.6 \%$ per year and was payable at the note's due date. Kastella was wholly owned by one of Navios (predecessor) executives. This loan was fully repaid in 2004 and the interest received was $\$ 33$ and is included in the December 31, 2004 consolidated statement of operations.

In August 2004 Navios (predecessor) advanced to one of its shareholders and executive officers the amount of $\$ 50$. The full amount was repaid during the year. No interest was calculated for the duration of this loan.
Balances due to related parties: Included in the trade accounts payable at December 31, 2005 is an amount of $\$ 90$ (2004: \$147), which is due to Acropolis Chartering and Shipping Inc.

| Fixed assets | Net Sales Proceeds |  | Net Book Value |  | $\begin{gathered} \text { Gain on } \\ \text { Sale } \end{gathered}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Payloaders | \$ | 112 | \$ | (58) | \$ | 54 |
| Uniloaders |  | 24 |  | (17) |  | 7 |
|  | \$ | 136 | \$ | (75) | \$ | 61 |

## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

 (Experessed in thousands of US Dollars - except per share data)In 2003, the following vessels were disposed of:

| Vessel | Net Sales Proceeds |  | Net Book Value |  | Gain/(loss) on Sale |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| M/V Navios Pioneer | \$ | 6,020 | \$ | $(5,805)$ | \$ | 215 |
| M/V Agios Konstantinos |  | 18,487 |  | $(19,413)$ |  | (926) |
| M/V Artemis |  | 18,538 |  | $(21,712)$ |  | $(3,174)$ |
| M/V Navios Aegean |  | 19,996 |  | $(18,478)$ |  | 1,518 |
|  | \$ | 63,041 | \$ | $(65,408)$ | \$ | $(2,367)$ |

## NOTE 19 - MINORITY INTEREST

The Navimax Pool, an association of three participants, was created for purposes of trading operating vessel owned and/or chartered by the Pool's participants, as well as, to charter and trade with third parties under freight contracts.

In 2003 Navios (predecessor) liquidated the third participant's interest in the Navimax Pool based on a mutual agreement. This liquidation was carried out on March 11, 2003 by distributing to the third participant, its remaining monetary value of pool interests as there were no other assets or liabilities.

## NOTE 20 - SEGMENT INFORMATION

The Company has two reportable segments from which it derives its revenues: Vessel Operations and Port Terminal. The reportable segments reflect the internal organization of the Company and are strategic businesses that offer different products and services. The Vessel Operations business consists of transportation and handling of bulk cargoes through ownership, operation, and trading of vessels, freight, and forward freight agreements. The Port Terminal business consists of operating a port and transfer station terminal.
The Company measures segment performance based on net income. Inter-segment sales and transfers are not significant and have been eliminated and are not included in the following table.

|  | Vessel Operations |  |  | Port Terminal |  |  | Total |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | $\begin{aligned} & \hline \text { cessor } \\ & \text { ust } 26, \\ & 05 \text { to } \\ & \text { nber 31, } \\ & 005 \end{aligned}$ | $\frac{\text { Predecessor }}{\text { January 1, }}$ 2005 to August 25, 2005 |  | cessor <br> ust 26, <br> 5 to <br> ber 31, <br> 005 | $\begin{gathered} \hline \text { Predecessor } \\ \hline \text { January 1, } \\ 2005 \text { to } \\ \text { August 25, } \\ 2005 \\ \hline \end{gathered}$ |  | ccessor <br> gust 26, <br> 05 to <br> mber 31, <br> 2005 | $\begin{aligned} & \frac{\text { Predecessor }}{\text { January 1, }} \\ & 2005 \text { to } \\ & \text { August 25, } \\ & 2005 \\ & \hline \end{aligned}$ |
| Revenue | \$ | 74,296 | 152,668 | \$ | 2,080 | 5,962 | \$ | 76,376 | 158,630 |
| Gain (loss) on forward freight agreements |  | $(2,766)$ | 2,869 |  | - | - |  | $(2,766)$ | 2,869 |
| Interest income |  | 1,162 | 1,349 |  | 1 | 1 |  | 1,163 | 1,350 |
| Interest expense |  | $(11,892)$ | $(1,677)$ |  | - | - |  | $(11,892)$ | $(1,677)$ |
| Depreciation and amortization |  | $(13,016)$ | $(3,391)$ |  | (566) | (481) |  | $(13,582)$ | $(3,872)$ |
| Equity in net income of affiliated companies |  | 285 | 788 |  | - | - |  | 285 | 788 |
| Net income |  | 1,856 | 48,517 |  | 305 | 2,820 |  | 2,161 | 51,337 |
| Total assets |  | 715,996 | 256,867 |  | 73,387 | 28,088 |  | 789,383 | 284,955 |
| Capital expenditures |  | ,363 | 777 |  | 295 | 3,487 |  | 147,658 | 4,264 |
| Investments in affiliates | \$ | 657 | 372 | \$ | - | - | \$ | 657 | 372 |

(*) Includes $\$ 21.3$ million non-cash consideration in the form of common stock issued in connection with the purchase of three vessels and $\$ 13.4$ million transferred from vessel purchase options in connection with the acquisition of two option vessels

|  | Predecessor |  | Predecessor |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Vessel Operations for the Year Ended December 31, 2004 |  | Port Terminal Operations for December 31, 2004 |  | Total for the Year Ended December 31, 2004 |  |
| Revenue | \$ | 271,536 | \$ | 7,648 | \$ | 279,184 |
| Gain on forward freight agreements |  | 57,746 |  | - |  | 57,746 |
| Interest income |  | 787 |  | 2 |  | 789 |
| Interest expense |  | $(3,140)$ |  | (310) |  | $(3,450)$ |
| Depreciation and amortization |  | $(5,258)$ |  | (667) |  | $(5,925)$ |
| Equity in net earnings of affiliate companies |  | 763 |  | - |  | 763 |
| Net income |  | 123,841 |  | 3,291 |  | 127,132 |
| Total assets |  | 309,022 |  | 24,270 |  | 333,292 |
| Capital expenditures |  | 494 |  | 4,609 |  | 5,103 |
| Investment in affiliates | \$ | 557 | \$ | - | \$ | 557 |


|  | Predecessor |  | Predecessor |  | Predecessor |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Vessel Operations for the Year Ended December 31, 2003 |  | Port Terminal Operations for the Year Ended December 31, 2003 |  | $\begin{gathered} \text { Total for the } \\ \text { Year Ended } \\ \text { December 31, } 2003 \\ \hline \end{gathered}$ |  |
| Revenue | \$ | 172,824 | \$ | 6,910 | \$ | 179,734 |
| Gain on forward freight agreements |  | 51,115 |  | - |  | 51,115 |
| Interest income |  | 132 |  | 2 |  | 134 |
| Interest expense |  | $(4,738)$ |  | (540) |  | $(5,278)$ |
| Depreciation and amortization |  | $(8,293)$ |  | (564) |  | $(8,857)$ |
| Equity in net earnings of affiliate companies |  | 403 |  | - |  | 403 |
| Net income |  | 55,588 |  | 2,913 |  | 55,501 |

## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

 (Experessed in thousands of US Dollars - except per share data)The following table sets out operating revenue by geographic region for the Company's reportable segments Vessel Operation and Port Terminal revenue is allocated on the basis of the geographic region in which the customer is located. Dry bulk vessels operate worldwide. Revenues from specific geographic region which contribute over $10 \%$ of total revenue are disclosed separately.

## Revenue By Geographic Region

|  | SuccessorAugust 26,2005 toDecember 31,2005 |  | Predecessor |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  |  | $\begin{gathered} \hline \text { January 1, } \\ 2005 \text { to } \\ \text { August } 25, \\ 2005 \\ \hline \end{gathered}$ |  | Years ended December 31 |  |  |  |
|  |  |  | 2004 | 2003 |  |
| North America | \$ | 5,767 |  |  | \$ | 20,206 | \$ | 38,201 | \$ | 30,308 |
| South America |  | 3,512 |  | 9,287 |  | 7,808 |  | 7,055 |
| Europe |  | 41,614 |  | 78,007 |  | 119,393 |  | 85,533 |
| Australia |  | 554 |  | 2,587 |  | 12,943 |  | 10,863 |
| Asia |  | 24,929 |  | 48,318 |  | 99,356 |  | 44,308 |
| Other |  | - |  | 225 |  | 1,483 |  | 1,667 |
| Total | \$ | 76,376 | \$ | 158,630 | \$ | 279,184 | \$ | 179,734 |

The following describes long-lived assets by country for the Company's reportable segments. Vessels operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not possible to allocate the assets of these operations to specific countries. The total net book value of long-lived assets for vessels amounted to $\$ 339,083$ and $\$ 116,231$ at December 31, 2005 and 2004, respectively. For Port Terminal, all long-lived assets are located in Uruguay. The total net book value of long-lived assets for the Port Terminal amounted to \$26,699 and $\$ 20,944$ at December 31, 2005 and 2004, respectively.

NOTE 21 - EARNINGS PER COMMON SHARE
The downstream merger of ISE with and into Navios (Note 3) resulted in the cancellation of the existing Navios common shares to reflect those issued by ISE. All earnings per share calculations for periods prior to the Augus 25, 2005 acquisition and merger (Navios predecessor) are based on the average number of Navios shares outstanding during the respective periods.
Earning per share for periods subsequent to the acquisition and merger are calculated by dividing net income by the average number of shares of Navios successor outstanding during the period. Fully diluted earnings per share assumes that the $65,550,000$ warrants outstanding were exercised at the warrant price of $\$ 5.00$ each generating proceeds of $\$ 327.8$ million and these proceeds were used to buy back shares of common stock at the average market price during the period.

## NAVIOS MARITIME HOLDINGS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Experessed in thousands of US Dollars - except per share data)

|  | Successor | Predecessor | Predecessor | Predecessor |
| :---: | :---: | :---: | :---: | :---: |
|  | $\begin{gathered} \text { August 26, } \\ 2005 \text { to } \\ \text { December 31, } \\ 2005 \end{gathered}$ | $\begin{gathered} \text { January 1, } \\ 2005 \text { to } \\ \text { August } 25, \\ 2005 \end{gathered}$ | $\begin{gathered} \text { Year ended } \\ \text { December 31, } \\ 2004 \\ \hline \end{gathered}$ | $\begin{gathered} \text { Year ended } \\ \text { December 31, } \\ 2003 \\ \hline \end{gathered}$ |
| Numerator: |  |  |  |  |
| Net income - basic and diluted | 2,161 | 51,337 | 127,132 | 55,501 |
| Denominator: |  |  |  |  |
| Denominator for basic earning per share weighted average shares | 40,189,356 | 874,584 | 909,205 | 996,408 |
| Dilutive potential common shares |  |  |  |  |
| Warrants outstanding | 65,550,000 | - | - | - |
| Proceeds on exercises of warrants | 327,750,000 | - | - | - |
| Number of shares to be repurchased | 60,500,802 | - | - | - |
| Effect of dilutive securities - warrants | 5,049,198 | - | - | - |
| Denominator for diluted earnings per share adjusted weighted shares and assumed conversions | 45,238,554 | 874,584 | 909,205 | 996,408 |
| Basic earnings per share | 0.05 | 58.7 | 139.83 | 55.7 |
| Diluted earnings per share | 0.05 | 58.7 | 139.83 | 55.7 |

NOTE 22 - INCOME TAXES
Marshall Islands, Greece, Liberia and Panama, do not impose a tax on international shipping income. Under the laws of Marshall Islands, Greece, Liberia and Panama the countries of the companies' incorporation and vessels' registration, the companies are subject to registration and tonnage taxes which have been included in vessel operating expenses in the accompanying consolidated statements of operations.
Certain of the Company's subsidiaries are registered as Law 89 companies in Greece. These Law 89 companies are exempt from Greek income tax on their income derived from certain activities related to shipping. Since all the Law 89 companies conduct only business activities that qualify for the exemption of Greek income tax, no provision has been made for Greek income tax with respect to income derived by these Law 89 companies from their business operations in Greece.
Corporacion Navios Sociedad Anonima is located in a tax free zone and is not liable to income or other tax.
Pursuant to Section 883 of the Internal Revenue Code of the United States (the "Code"), U.S. source income from the international operation of ships is generally exempt from U.S. income tax if the company operating the ships meets certain incorporation and ownership requirements. Among other things, in order to qualify for this exemption, the company operating the ships must be incorporated in a country, which grants an equivalent exemption from income taxes to U.S. corporations. All the company's ship-operating subsidiaries satisfy these initial criteria. In addition, these companies must be more than $50 \%$ owned by individuals who are residents, as defined, in the countries of incorporation or another foreign country that grants an equivalent exemption to U.S corporations. Subject to proposed regulations becoming finalized in their current form, the management of the

NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (Experessed in thousands of US Dollars - except per share data)

satisfied based on the trading volume and ownership of the Company's shares, but no assurance can be given that this will remain so in the future.

## NOTE 23 - SUBSEQUENT EVENTS

On January 2, 2006, Navios Corporation and Navios Shipmanagement Inc., two wholly owned subsidiaries of Navios, entered into two lease agreements with Goldland Ktimatiki - Ikodomiki - Touristiki and Xenodohiaki Anonimos Eteria, a Greek corporation which is partially owned by relatives of Angeliki Frangou, Navios’ Chairman and Chief Executive Officer. The lease agreements provide for the leasing of two facilities located in Piraeus, Greece, of approximately $2,034.3$ square meters and will house the operations of the Company's subsidiaries. The total annual lease payments are EUR 420,000 (approximately $\$ 500,000$ ) and the lease agreements expire in 2017. The Company believes the terms and provisions of the lease agreements were similar to those that would have been agreed with a non-related third party. The lease payments are subject to annual adjustments starting form the third year which are based on the inflation rate prevailing in Greece as reported by the Greek State at the end of each year.
On January 5, 2006, the Company took delivery of vessel Navios Gemini S the last of the four Panamax vessels purchased from Maritime Enterprises Management S.A., a company affiliated with the Frangou family (Notes 2 and 17).

On February 10, 2006, the Company took delivery of Navios Arc the first of the remaining four option vessels to be delivered in 2006 (Notes 2 and 15).

On February 16, 2006, the Board of Directors resolved that a dividend of $\$ 0.0666$ per common share will be paid on March 13, 2006 to stockholders of records as of February 27, 2006.

INTERNATIONAL SHIPPING ENTERPRISES, INC.

## a corporation in the development stage)

BALANCE SHEET

|  | June 30, 2005 |  | $\begin{gathered} \text { December 31, } \\ \hline 2004 \end{gathered}$ |
| :---: | :---: | :---: | :---: |
|  | $\frac{\text { (unaudited) }}{\square}$ |  |  |
| ASSETS |  |  |  |
| Current assets: |  |  |  |
| Cash and cash equivalents | \$ 172,064 | \$ | 2,032,478 |
| Investment held in Trust Fund | 182,798,858 |  | 180,691,163 |
| Deferred Tax Asset | 145,000 |  |  |
| Prepaid expenses | 63,850 |  | 12,988 |
| Total current assets | 183,179,772 |  | 182,736,629 |
| Advances held in escrow for Acquisitions | 3,016,178 |  |  |
| Property \& Equipment (net) | 9,205 |  | 7,195 |
| Deferred Acquisitions costs | 1,894,859 |  | 81,000 |
| Deferred Finance costs | 3,448,500 |  |  |
| Total Assets | $\underline{\underline{\text { 191,548,514 }}}$ |  | 182,824,824 |
| LIABILITIES \& STOCKHOLDERS' EQUITY |  |  |  |
| Current Liabilities: |  |  |  |
| Trade payable \& Accrued Expenses | \$ 1,855,003 | \$ | 139,177 |
| Notes payable, stockholder | 5,022,037 |  | 805 |
| Deferred Interest at Trust account | 444,349 |  | 23,021 |
| Income taxes payable | 712,000 |  | 6,700 |
| Total Current Liabilities | 8,033,389 |  | 169,703 |
| Common Stock, Subject to possible conversion | 36,097,142 |  | 36,097,142 |
| Stockholders' Equity: |  |  |  |
| Preferred Stock \$. 0001 par value, authorized 1,000,000 shares, none issued | - |  | - |
| Common Stock $\$ .0001$ par value, authorized $120,000,000$ shares, issued and outstanding $39,900,000$ (which includes $6,551,723$ shares subject to possible conversion) | 3,990 |  | 3,990 |
| Additional paid-in capital | 146,551,057 |  | 146,545,159 |
| Earnings accumulated during the development stage | 862,936 |  | 8,830 |
| Total stockholders' equity | 147,417,983 |  | 146,557,979 |
| Total Liabilities and Stockholders' Equity | \$191,548,514 |  | 182,824,824 |

## See Notes to Unaudited Financial Statements

## INTERNATIONAL SHIPPING ENTERPRISES, INC.

(a corporation in the development stage)
STATEMENT OF OPERATIONS
(unaudited)

|  | Six months endedJune 30,2005 |  | Three months endedJune 30, 2005 |  | For the period from September 17, 2004 (inception) to June 30, 2005 |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Net revenue from operations |  |  |  |  |  |  |
| Capital based Taxes | \$ | $(130,000)$ | \$ | $(16,500)$ | \$ | $(184,759)$ |
| Other Operating expenses |  | $(157,430)$ |  | $(80,159)$ |  | $(179,856)$ |
| Formation \& Operating Cost |  | $(287,430)$ |  | $(96,659)$ |  | $(364,615)$ |
| Operating Loss |  | $(287,430)$ |  | $(96,659)$ |  | (364,615) |

Income from Financing Activities


See Notes to Unaudited Financial Statements

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NTERNATIONAL SHIPPING ENTERPRISES, INC.
(a corporation in the development stage)
STATEMENT OF THE STOCKHOLDER'S EQUITY
For the period from September 17th, 2004 (inception) to June 30, 2005

|  | Common Stock and |  |  | Additional <br> Paid-In <br> Capital |  | Earnings Accumulated During the Development Stage |  | $\begin{gathered} \text { Stockholders' } \\ \text { Equity } \end{gathered}$ |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Shares | Amount |  |  |  |  |  |  |  |
| Sale of $7,125,000$ shares of common stock to initial stockholders | 7,125,000 | \$ | 713.00 | \$ | 24,287 |  | - | \$ | 25,000 |
| Sale of $32,775,000$ units, net of underwriters' discount and offering expenses (includes $6,551,723$ shares subject to possible convertion) | 32,775,000 |  | 3,277.00 |  | 182,618,014 |  |  |  | ,621,291 |
| Proceeds subject to possible conversion of $6,551,723$ shares | - |  | - |  | $(36,097,142)$ |  |  |  | ,097,142) |
| Net Income |  |  |  |  |  | \$ | 8,830 |  | 8,830 |
| Balance at December 31, 2004 | 39,900,000 |  | 3,990 |  | 146,545,159 |  | 8,830 |  | ,557,979 |
| Unaudited: |  |  |  |  |  |  |  |  |  |
| Finalization of estimated costs of the offering | - |  |  |  | 5,898 |  |  |  | 5,898 |
| Net Income | - |  |  |  |  |  | 854,106 |  | 854,106 |
| Balance at June 30, 2005 | $\underline{39,900,000}$ | \$ | 3,990.00 | s | 146,551,057 | S | 862,936 |  | ,417,983 |

See Notes to Unaudited Financial Statements

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INTERNATIONAL SHIPPING ENTERPRISE, INC.
(a corporation in the development stage)
STATEMENT OF CASH FLOWS
(Unaudited)

|  |  |  | For the period from <br> September 17, 2004 <br> (inception) to |
| :--- | ---: | ---: | ---: | ---: |
| ${ } }$ |  |  |  |

## 1. Organization and Business Operations

International Shipping Enterprises, Inc. ("ISE") was incorporated in Delaware on September 17, 2004, as a blank check company, the objective of which is to acquire one or more vessels or an operating business in the dry bulk sector of the shipping industry.

All activity from January 1, 2005, through June 30, 2005, relates to ISE's search for a business combination and the negotiation of the acquisition of Navios Maritime Holdings Inc. described below. The Company has selected December 31 as its fiscal year-end.

The registration statement for ISE's initial public offering ("Offering") was declared effective December 10 2004. ISE consummated the Offering on December 16, 2004, and received net proceeds of approximately $\$ 182,621,000$ (Note 2). ISE's management has broad discretion with respect to the specific application of the net proceeds of this Offering, although substantially all of the net proceeds of this Offering are intended to be generally applied toward consummating a business combination with (or acquisition of) one or more vessels or an operating business in the dry bulk sector of the shipping industry ("Business Combination"). Furthermore, there is no assurance that ISE will be able to successfully effect a Business Combination. An amount of \$180,576,000 of the net proceeds were placed in an interest-bearing trust account ("Trust Account") until the earlier of (i) the consummation of a Business Combination or (ii) the liquidation of ISE. Under the agreement governing the Trust Account, funds will only be invested in United States government securities (Treasury Bills) with a maturity of 180 days or less. (Note 3) The remaining net proceeds (not held in the Trust Account) may be used to pay for business, legal, and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

ISE, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that stockholders owning $20 \%$ or more of the shares sold in the Offering vote against the Business Combination and exercise their redemption rights described below, the Business Combination will not be consummated. All of ISE's stockholders prior to the Offering, including all of the officers and directors of the Company ("Initial Stockholders"), have agreed to vote their 7,125,000 founding shares of common stock in accordance with the vote of the majority in interest of all other stockholders of the Company ("Public Stockholders") with respect to any Business Combination. After consummation of a Business Combination, these voting safeguards will no longer be applicable.

With respect to a Business Combination which is approved and consummated, any Public Stockholder who votes against the Business Combination may demand that ISE convert his shares. The per share conversion price will equal to the amount in the Trust Account calculated as of two business days prior to the proposed consummation of the Business Combination divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding 19.99\% of the aggregate number of shares owned by all Public Stockholders may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Account computed without regard to the shares held by Initial Stockholders. Accordingly, a portion of the net proceeds from the offering ( $19.99 \%$ of the amount held in the Trust Account) has been classified as common stock subject to possible conversion and $19.99 \%$ of the interest earned on the amount held in the Trust Account has been recorded as deferred interest in the accompanying June 30, 2005 balance sheet.

ISE's Certificate of Incorporation provides for mandatory liquidation of ISE in the event that the Company does not consummate a Business Combination within 12 months from the date of the consummation of the Offering, or 18 months from the consummation of the Offering if certain extension criteria have been satisfied. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the initial public offering price per share in the Offering due to costs related to the Offering and since no value would be attributed to the Warrants contained in the Units sold (Note 2).

## INTERNATIONAL SHIPPING ENTERPRISES, INC.

(a corporation in the development stage)

## Notes to ISE Unaudited Financial Statements

In connection with a proposed acquisition (Note 4), ISE has deferred \$3,448,500 relating to bank commitment fees and $\$ 1,246,983$ of costs relating to professional fees for legal, due diligence and accounting services.

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

## 2. Initial Public Offering

On December 16, 2004, ISE sold 32,775,000 units ("Units") in the Offering, which included all of the $4,275,000$ Units subject to the underwriters' over-allotment option. Each Unit consists of one share of ISE's common stock, \$. 0001 par value, and two Redeemable Common Stock Purchase Warrants ("Warrants"). Each Warrant entitles the holder to purchase from ISE one share of common stock at an exercise price of \$5.00 commencing the later of the completion of a Business Combination with a target business or one year from the effective date of the Offering and expiring four years from the date of the prospectus. The Warrants will be redeemable, upon prior written consent of ISE's underwriter in the Offering, Sunrise Securities Corp., at a price of $\$ .01$ per Warrant upon 30 days' notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least $\$ 8.50$ per share for any 20 trading days within a 30 trading day period ending on the third day prior to date on which notice of redemption is given and only if the weekly trading volume of ISE's common stock has been at least 800,000 shares for each of the two calendar weeks prior to the date on which notice of redemption is given.

At June 30, 2005, 65,550,000 shares of common stock were reserved for issuance upon exercise of Warrants.

## 3. Investments Held in Trust Account

At June 30, 2005, the investments held in the Trust Account consist principally of short-term Treasury Bills which are treated as trading securities and recorded at their market value. The excess of market value over cost, exclusive of $19.99 \%$ of the interest which has been recorded as deferred interest as described above, is included in interest income on the accompanying income statement

## Acquisition of Navios Maritime Holdings Inc

On February 28, 2005, ISE entered into a Stock Purchase Agreement (the "Purchase Agreement") with Navios Maritime Holdings Inc., a Marshall Islands corporation ("Navios"), and all of the shareholders of Navios in connection with ISE's acquisition of all of the outstanding capital of Navios. At the closing, the Navios shareholders will be paid an aggregate of $\$ 607.5$ million in cash for all the outstanding capital stock of Navios, subject to adjustments and certain holdbacks. The purchase price will be partially funded through a secured credit facility with HSH Nordbank AG

Simultaneously with the signing of the Purchase Agreement, ISE deposited \$3,000,000 with an escrow agent as a deposit to be applied against the purchase price at closing. On July 15, 2005, ISE deposited an additional $\$ 3,000,000$ in conjunction with the extension of closing date to August 31, 2005, in accordance with the terms and conditions of the Purchase Agreement. In the event that the closing does not occur, any and all deposits will be returned to ISE, except in those cases where the closing has not occurred due to ISE's breach of one of its representation, warranty, covenant or agreement in the Purchase Agreement. In connection with the deposit and other costs and expenses associated with the transaction, an Initial Stockholder has agreed to loan the necessary funds to ISE (Note 5).

At June 30, 2005, trade payables and accrued expenses include $\$ 647,876$ due to Navios

# INTERNATIONAL SHIPPING ENTERPRISES, INC. 

(a corporation in the development stage) Notes to ISE Unaudited Financial Statements

## 5. Note Payable, Stockholder

ISE issued a $\$ 4,022,037$ unsecured promissory note to an Initial Stockholder, who is also an officer, on April 18,2005 . The amount of $\$ 5,022,037$, including additional advances of $\$ 1,000,000$, is due to the Initial Stockholder as of June 30, 2005. The amount due to the Initial Stockholder is non interest-bearing and is payable on demand at any time on or after the closing date of the acquisition of Navios.

## 6. Commitment

ISE presently has certain office and secretarial services made available to it by unaffiliated third parties, as may be required by ISE from time to time. Under its agreement with its underwriters, ISE is permitted to pay up to an aggregate of \$5,500 per month for office space and all such services on an ongoing basis. The statement of operations for the period ended June 30, 2005 includes approximately $\$ 9,672$ related to this agreement.

## 7. Subsequent events

On August 25th, 2005, pursuant to a stock purchase agreement dated February 28, 2005, as amended, by and between ISE and Navios Maritime Holdings, Inc. ("Navios"), ISE acquired all of the outstanding shares of common stock of Navios for a cash payment of $\$ 594.4$ million. Approximately $\$ 182.4$ million of the cash payment was obtained from funds from ISE's initial public offering and the balance of approximately $\$ 412$ million was obtained from a $\$ 514.4$ million senior secured credit facility, entered into on July 12, 2005 and funded on August 25, 2005, with HSH Nordbank AG.

As a result of such acquisition, Navios became a wholly owned subsidiary of ISE. In addition, on August 25, 2005, simultaneously with the acquisition of Navios, ISE effected a reincorporation from the State of Delaware to the Republic of the Marshall Islands through a downstream merger with and into its newly acquired whollyowned subsidiary Navios.

# INTERNATIONAL SHIPPING ENTERPRISES, INC. 

(a corporation in the development stage)
Notes to ISE Unaudited Financial Statements

## Report of Independent Registered Public Accounting Firm

To the Board of Directors
International Shipping Enterprises, Inc.
We have audited the accompanying balance sheet of International Shipping Enterprises, Inc. (a corporation in the development stage) as of December 31, 2004, and the related statements of income, stockholders' equity and cash flows for the period from September 17, 2004 (inception) to December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Shipping Enterprises, Inc. as of December 31, 2004, and the results of its operations and its cash flows for the period from September 17, 2004 (inception) to December 31, 2004 in conformity with United States generally accepted accounting principles.
/s/ Goldstein Golub Kessler LLP
New York, New York
January 17, 2005

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INTERNATIONAL SHIPPING ENTERPRISES, INC.
(a corporation in the development stage)
BALANCE SHEET
DECEMBER 31, 2004

| ASSETS |  |
| :--- | ---: | ---: |
| Current assets: | $2,032,478$ |
| Cash | $180,691,163$ |
| Investments held in trust | 12,988 |
| Prepaid expenses and other current assets | $182,736,629$ |
| Total Current Assets | 7,195 |
| Property and Equipment | 81,000 |
| Deferred acquisition costs | $182,824,824$ |
| Total Assets |  |
| LIABILITIES AND STOCKHOLDERS' EQUITY | $\$$ |
| Current liabilities: | 139,177 |
| Accounts payable and accrued expenses | 23,021 |
| Deferred interest | 805 |
| Due to stockholder | 6,700 |
| Income taxes payable | 169,703 |
| Total liabilities | $36,097,142$ |
| Commitment |  |
| Common stock subject to possible conversion |  |
| Stockholder's Equity: |  |

## See Notes to Financial Statements

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## INTERNATIONAL SHIPPING ENTERPRISES, INC.

a corporation in the development stage)
INCOME STATEMENT
FOR THE PERIOD FROM SEPTEMBER 17, 2004 (INCEPTION) TO DECEMBER 31, 2004

## Operating expenses:

| Capital based taxes | \$ | $(54,759)$ |
| :---: | :---: | :---: |
| Other operating expenses |  | $(22,426)$ |
| Total operating expenses |  | $(77,185)$ |
| Net operating loss |  | $(77,185)$ |
| Interest income |  | 92,715 |
| Income before provision for income taxes |  | 15,530 |
| Provision for income taxes |  | 6,700 |
| Net income | \$ | 8,830 |
| Weighted average number of common shares outstanding |  | 743,571 |
| Net income per shares basic and diluted | \$ | 0.00 |

See Notes to Financial Statements

INTERNATIONAL SHIPPING ENTERPRISES, INC.
(a corporation in the development stage)
STATEMENT OF STOCKHOLDERS' EQUITY
For the period from September 17, 2004 (inception) to December 31, 2004


See Notes to Financial Statements

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INTERNATIONAL SHIPPING ENTERPRISES, INC.
(a corporation in the development stage)
STATEMENT OF CASH FLOWS
For the period from September 17, 2004 (inception) to December 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES

| Net income | $\$ 8,830$ |
| :--- | ---: |
| Adjustements to reconcile net income to net cash provided by operating activities: | $(115,163)$ |
| Interest income on treasury bills | $(12,988)$ |
| Changes in operating assets and liabilities: | 79,235 |
| Increase in prepaid expenses | 23,021 |
| Increase in accounts payable and accrued expenses | 6,700 |
| Increase in deferred interest | $(10,365)$ |
| Increase in income taxes payable | $(180,575,746)$ |
| Net cash provided by operating activities | $(254)$ |
| CASH FLOWS FROM INVESTING ACTIVITIES | $(7,195)$ |
| Purchase of Treasury Bills held in trust | $(81,000)$ |
| Increase in cash held in trust | $(180,664,195)$ |
| Purchase of property and equipment |  |
| Payment of deferred acquisition costs |  |
| Net cash used in investing activities |  |

CASH FLOWS FROM FINANCING ACTIVITIES
Gross proceeds from initial public offering
196,650,000
Payment of costs of initial public offering

# INTERNATIONAL SHIPPING ENTERPRISES, INC. 

(a corporation in the development stage) Notes to Financial Statements

## 1. Organization and Business Operations

International Shipping Enterprises, Inc. ("ISE" or the "Company") was incorporated in Delaware on September 17, 2004 as a blank check company, the objective of which is to acquire one or more vessels or an operating business in the shipping industry.

All activity from September 17, 2004 (inception) through December 31, 2004 relates to the Company's formation, initial public offering and search for a business combination described below. The Company has selected December 31 as its fiscal year-end.

The registration statement for the Company's initial public offering ("Offering") was declared effective December 10, 2004. The Company consummated the Offering on December 16, 2004 and received net proceeds of approximately $\$ 182,621,000$ (Note 2). The Company's management has broad discretion with respect to the specific application of the net proceeds of this Offering, although substantially all of the net proceeds of this Offering are intended to be generally applied toward consummating a business combination with (or acquisition of) one or more vessels or an operating business in the shipping industry ("Business Combination"). Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination. An amount of $\$ 180,576,000$ of the net proceeds is being held in an interest-bearing trust account ("Trust Account") until the earlier of (i) the consummation of a Business Combination or (ii) the liquidation of the Company. Under the agreement governing the Trust Account, funds will only be invested in United States government securities (Treasury Bills) with a maturity of 180 days or less. (Note 3) The remaining net proceeds (not held in the Trust Account) may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that stockholders owning $20 \%$ or more of the shares sold in the Offering vote against the Business Combination and exercise their redemption rights described below, the Business Combination will not be consummated. All of the Company's stockholders prior to the Offering, including all of the officers and directors of the Company ("Initial Stockholders"), have agreed to vote their 7,125,000 founding shares of common stock in accordance with the vote of the majority in interest of all other stockholders of the Company ("Public Stockholders") with respect to any Business Combination. After consummation of a Business Combination, these voting safeguards will no longer be applicable.

With respect to a Business Combination which is approved and consummated, any Public Stockholder who voted against the Business Combination may demand that the Company convert his shares. The per share conversion price will equal the amount in the Trust Account calculated as of two business days prior to the proposed consummation of the Business Combination divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding 19.99\% of the aggregate number of shares owned by all Public Stockholders may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Account computed without regard to the shares held by Initial Stockholders. Accordingly, a portion of the net proceeds from the offering ( $19.99 \%$ of the amount held in the Trust Account) has been classified as common stock subject to possible conversion and $19.99 \%$ of the interest earned on the amount held in the Trust Account has been recorded as deferred interest in the accompanying December 31, 2004 balance sheet.

The Company's Certificate of Incorporation provides for mandatory liquidation of the Company in the event that the Company does not consummate a Business Combination within 12 months from the date of the consummation of the Offering, or 18 months from the consummation of the Offering if certain extension criteria have been satisfied. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will

## NTERNATIONAL SHIPPING ENTERPRISES, INC.

(a corporation in the development stage)
be less than the initial public offering price per share in the Offering due to costs related to the Offering and since no value would be attributed to the Warrants contained in the Units sold (Note 2).

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Depreciation of property, plant and equipment will be provided for by the straight-line method over the estimated useful lives of the related assets.

In connection with a proposed acquisition, the Company has deferred $\$ 81,000$ of related costs, principally relating to a retainer paid in December 2004 for legal services.

Deferred income taxes are provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

Basic net income per common share is computed using the weighted average number of shares outstanding. Diluted net income per common share is computed using the weighted average number of shares outstanding adjusted for the incremental shares attributed to outstanding options to purchase common stock. There are no incremental shares included in the diluted calculations since the common stock was not trading separately during the period and the warrants were therefore not exercisable.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

On December 31, 2004, the Company sold 32,775,000 units ("Units") in the Offering, which included all of the $4,275,000$ Units subject to the underwriters' overallotment option. Each Unit consists of one share of the Company's common stock, \$. 0001 par value, and two Redeemable Common Stock Purchase Warrants ("Warrants"). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of $\$ 5.00$ commencing the later of the completion of a Business Combination with a target business or one year from the effective date of the Offering and expiring four years from the date of the prospectus. The Warrants will be redeemable, upon prior written consent of the Company's underwriter in the Offering, Sunrise Securities Corp., at a price of $\$ .01$ per Warrant upon 30 days notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least $\$ 8.50$ per share for any 20 trading days within a 30 trading day period ending on the third day prior to date on which notice of redemption is given and only if the weekly trading volume of our common stock has been at least 800,000 shares for each of the two calendar weeks prior to the date on which notice of redemption is given.

At December 31, 2004, 65,550,000 shares of common stock were reserved for issuance upon exercise of Warrants.

## 3. Investments Held in Trust Account

At December 31, 2004, the investments held in the Trust Account consist principally of short-term Treasury Bills which are treated as trading securities and recorded at their market value. The excess of market value over cost, exclusive of $19.99 \%$ of the interest which has been recorded as deferred interest as described above, is included in interest income on the accompanying income statement.

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INTERNATIONAL SHIPPING ENTERPRISES, INC.
(a corporation in the development stage) Notes to Financial Statements

## 4. Property and equipment

Property and equipment, at cost, consists of computer equipment with an estimated useful life of three years. No depreciation has been charged against the Company's property and equipment as they were not in service during the period.

## 5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

| Delaware franchise tax payable | $\$$ |
| :--- | :---: |
| New York capital taxes | 12,859 |
| Printing costs due on initial public offering | 59,900 |
| Accrued professional fees | 13,629 |
| Other accounts payable and accrued expenses | $\$ 10,847$ |

## 6. Note Payable, Stockholder

The Company issued a $\$ 225,000$ unsecured promissory note to an Initial Stockholder, who is also an officer, on September 23, 2004. The Initial Stockholder also advanced approximately $\$ 125,000$ of additional funds to the Company. The amount due to the Initial Stockholder was non interest-bearing and substantially all the amount due was paid from the net proceeds of the Offering. At December 31, 2004, there is a remaining due amount to the Initial Stockholder of \$805.

## 7. Commitment

The Company presently occupies office space from, and has certain office and secretarial services made available to it by, unaffiliated third parties, as may be required by the Company from time to time. The Company has agreed to pay approximately $\$ 1,500$ per month for office space through March 15, 2005 and, under its agreement with its underwriters, is permitted to pay up to an aggregate of $\$ 5,500$ per month for office space and all such services on an ongoing basis. The statement of operations for the period ended December 31, 2004 includes approximately $\$ 5,700$ related to this agreement.

## 8. Preferred Stock

The Company is authorized to issue $1,000,000$ shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

## 9. Common Stock

On November 29, 2004, the Company's Board of Directors authorized a stock dividend of approximately 0.676 shares of common stock for each outstanding share of common stock and increased the number of authorized shares of common stock to $120,000,000$. The accompanying financial statements have been retroactively restated to reflect these transactions.

## 10. Income Taxes

The provision for income taxes consists of:
Period from September 17, 2004 (inception) to December 31, 2004

Current:

| Federal | $\$$ | 1,600 |
| :--- | ---: | ---: |
| State and local | 5,100 |  |
|  | $\$$ | 6,700 |


| Federal statutory rate | $34.0 \%$ |
| :--- | :---: |
| State income taxes, net of federal income tax effect | 7.5 |
| Effect of reduced federal rates based on income levels | $(19.0)$ |
| Nondeductible expenses for state tax purposes | 20.6 |

## [NAVIOS LOGO]

## NAVIOS MARITIME HOLDINGS INC.

## PROSPECTUS

## , 2006

All dealers that buy, sell or trade our shares of common stock, whether or not participating in this offering, may be required to deliver a prospectus.

## PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

## Item 6. Indemnification of Directors and Officers.

Under the Articles of Incorporation, our Bylaws and under Section 60 of the Marshall Islands Business Corporations Act ("BCA"), we may indemnify anyone who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of the corporation) whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise.

A limitation on the foregoing is the statutory proviso (also found in our Bylaws) that, in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his conduct was unlawful.

Further, under Section 60 of the BCA and our Bylaws, the termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of no contest, or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

In addition, under Section 60 of the BCA and under our Bylaws, a corporation may indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending, or completed action or suit by or in the right of the corporation to procure judgment in its favor by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise. Such indemnification may be made against expenses (including attorneys' fees) actually and reasonably incurred such person or in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation. Again, this is provided that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Further, and as provided by both our Bylaws and Section 60 of the BCA, when a director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in the foregoing instances, or in the defense of a related claim, issue or matter, he will be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with such matter.

Likewise, pursuant to our Bylaws and Section 60 of the BCA, expenses (our Bylaws specifically includes attorneys' fees in expenses) incurred in defending a civil or criminal action, suit or proceeding by an officer or director may be paid in advance of the final disposition of the action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it is ultimately determined that he is

Both Section 60 of the BCA and our Bylaws further provided that the foregoing indemnification and advancement of expenses are not exclusive of any other rights to which those seeking

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indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and/or as to action in another capacity while holding office.

Under both Section 60 of the BCA and our Bylaws, we also have the power to purchase and maintain insurance on behalf of any person who is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director or officer against any liability asserted against him and incurred by him in such capacity regardless of whether the corporation would have the power to indemnify him against such liability under the foregoing.

Under Section 60 of the BCA (and as provided in our Bylaws), the indemnification and advancement of expenses provided by, or granted under the foregoing continue with regard to a person who has ceased to be a director, officer, employee or agent and inure to the benefit of his heirs, executors and administrators unless otherwise provided when authorized or ratified. Additionally, under Section 60 of the BCA and our Bylaws, the indemnification and advancement of expenses provided by, or granted under the foregoing continue with regard to a person who has ceased to be a director, officer, employee or agent and inure to the benefit of his heirs, executors and administrators unless otherwise provided when authorized or ratified.

In addition to the above, our Bylaws provide that references to us includes constituent corporations, and defines 'other enterprises' to include employee benefit plans, "fines" to include excise taxes imposed on a person with respect to an employee benefit plan, and further defines the term 'serving at the request of the corporation.'

Our Articles of Incorporation set out a much abbreviated version of the foregoing and make reference to the provisions of the Bylaws.

Such limitation of liability and indemnification does not affect the availability of equitable remedies. In addition, we have been advised that in the opinion of the SEC, indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act and is therefore unenforceable.

## Item 7. Recent Sales of Unregistered Securities

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among International Shipping Enterprises, Inc., or ISE, Navios and all the shareholders of Navios, ISE acquired substantially all of the assets of Navios through the purchase of all of the outstanding shares of stock of Navios As a result of such acquisition, Navios became a wholly-owned subsidiary of ISE. In addition, on August 25, 2005 , simultaneously with the acquisition of Navios, ISE effected a reincorporation from the State of Delaware to the Republic of Marshall Islands through a downstream merger with and into its newly acquired wholly-owned subsidiary, Navios. As a result of the reincorporation, ISE changed its name to Navios Maritime Holdings Inc. to reflect its operations and ISE transitioned from a shell company to an operating business and the operations of Navios became those of a publicly traded company. Prior to becoming a public company on August 25, 2005, Navios was a privately held company that sold all of its outstanding shares that had been previously issued on such date.

On December 22, 2005, Navios purchased four Panamax dry-bulk carriers from Maritime Enterprises Management S.A., a company affiliated with Angeliki Frangou, our chief executive officer and her family. Two of the vessels were delivered on December 22, 2005, a third vessel was delivered on December 27, 2005, and the fourth vessel was delivered on January 5, 2006. The purchase price for these four vessels was $\$ 125.5$ million. The purchase price was funded with (i) $\$ 13.0$ million of Navios' cash; (ii) $\$ 80.3$ million from the restructured facility; and (iii) $\$ 32.2$ million through the issuance of $5,500,854$ shares of common stock of Navios valued at $\$ 5.85$ per share.

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## Item 8. Exhibits and Financial Statement Schedules

(a) Exhibits
3.1 Amended and Restated Articles of Incorporation. $\dagger$
3.2 Bylaws.t
4.1 Specimen Unit Certificate. $\dagger$
4.2 Specimen Common Stock Certificate. $\dagger$
4.3 Specimen Warrant Certificate. $\dagger$
4.4 Form of Warrant Agreement between Continental Stock Transfer \& Trust Company and International Shipping Enterprises, Inc., the legal predecessor of Navios (Incorporated by reference to Exhibit 4.4 of the Registration Statement on Form S-1 of International Shipping Enterprises, Inc. (File No. 333119719)).
5.1 Opinion of Reeder \& Simpson P.C., Marshall Islands Counsel to Navios, as to the validity of the shares. $\dagger$
10.1 Plan and Agreement of Merger, dated as of August 25, 2005, between International Shipping Enterprises, Inc. and Navios Maritime Holdings Inc. $\dagger$
10.2 Form of Stock Escrow Agreement between International Shipping Enterprises, Inc., the lega predecessor of Navios, Continental Stock Transfer \& Trust Company and the Initial Stockholders of International Shipping Enterprises, Inc. (Incorporated by reference to the Registration Statement on Form S-1 of International Shipping Enterprises, Inc. (File No. 333-119719)).
10.3 Form of Registration Rights Agreement among International Shipping Enterprises, Inc., the legal predecessor of Navios, and the Initial Stockholders (Incorporated by reference to the Registration Statement on Form S-1 of International Shipping Enterprises, Inc. (File No. 333-119719))
10.4 Stock Purchase Agreement, dated as of February 28, 2005, by and among International Shipping Enterprises, Inc., the legal predecessor of Navios, Navios, the Shareholders' agent and the Shareholders of Navios (Incorporated by reference to International Shipping Enterprises, Inc.'s, the legal predecessor of Navios, Amendment No. 1 to Annual Report on Form 10-K/A filed on April 18, 2005.)
10.4.1 List of omitted schedules to the Stock Purchase Agreement identified in Exhibit 10.3 (Incorporated by reference to pre-effective Amendment No. 2 of the Registration Statement on Form S-4 of International Shipping Enterprises, Inc. filed on June 27, 2005) (1).
10.5 Facilities Agreement for International Shipping Enterprises, Inc. with HSH Nordbank AG dated July 12, 2005 (replaced with facility identified in Exhibit 10.9) (Incorporated by reference to International Shipping Enterprise, Inc.'s, the legal predecessor of Navios, Current Report on Form 8-K dated July 12, 2005 and filed on July 15, 2005). The Registrant will furnish supplementally a copy of any omitted schedule to the commission upon request.
10.6 Amendment to the Stock Purchase Agreement dated May 27, 2005 (Incorporated by reference to International Shipping Enterprise, Inc.'s, the legal predecessor of Navios, Current Report on Form 8K dated May 27, 2005 and filed on June 3, 2005).
10.7 Second Amendment to the Stock Purchase Agreement dated July 14, 2005 (Incorporated by reference to International Shipping Enterprise, Inc.'s, the legal predecessor of Navios, Current Report on Form 8 -K dated July 12, 2005 and filed on July 15, 2005).
10.8 Form of Registration Rights Agreement among International Shipping Enterprises, Inc., the legal predecessor of Navios, and the initial stockholders of ISE.*
10.9 Facilities Agreement for Navios Maritime Holdings Inc. with HSH Nordbank AG dated December 21, 2005. The Registrant will furnish supplementally a copy of any omitted schedule to the Commission upon request.*
23.1 Consent of PricewaterhouseCoopers*
23.2 Consent of Reeder \& Simpson P.C. $\dagger$ (see Exhibit 5.1)
23.3 Consent of Drewry Shipping Consultants.*

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    23.4 Consent of Goldstein Golub Kessler LLP*
    24 Powers of Attorney.\dagger
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$\dagger$ Previously filed

* Filed herewith
(1) In accordance with Item 601(b)(2) of Regulation S-K, the schedules have been omitted and a list briefly describing the omitted schedules is filed herewith. The Registrant will furnish supplementally a copy of any omitted schedule to the Commission upon request.
(b) Financial Statement Schedule(s):

All schedules are omitted for the reason that the information is included in the financial statements or the notes thereto or that they are not required or are not applicable

## Item 9. Undertakings

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or controlling persons of the Registrant pursuant to the provisions described herein, or otherwise, the Registrant has been advised that in the opinion of the U.S. Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than any payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes:
(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement
(i) To include any prospectus required by section 10(a)(3) of the Securities Act;
(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a $20 \%$ change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and
(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.
(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering
(4) If the registrant is a foreign private issuer, to file a post-effective amendment to the registration statement to include any financial statements required by Item 8.A. of Form 20-F at the start of any delayed offering or throughout a continuous offering

## SIGNATURES

Pursuant to the requirement of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in Piraeus, Greece on April 5, 2006.

NAVIOS MARITIME HOLDINGS INC.
By: /s/ Angeliki Frangou
Name: Angeliki Frangou Title: Chairman and Chief Executive Officer

By: /s/ Michael McClure Name: Michael McClure Title: Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by each of the following persons in the capacities indicated on December 15, 2005

| Signature | Title(s) | Date |
| :---: | :---: | :---: |
| /s/ Angeliki Frangou | Chief Executive Officer (principal executive officer) | April 5, 2006 |
| Angeliki Frangou |  |  |
| /s/ Michael McClure | Chief Financial Officer (principal financial and accounting officer) | April 5, 2006 |
| Michael McClure |  |  |
| /s/ Angeliki Frangou | Chairman of the Board | April 5, 2006 |
| Angeliki Frangou |  |  |
| * | President and Director | April 5, 2006 |

* 
* By executing her name hereto, Angeliki Frangou is signing this document on behalf of the persons indicated above pursuant to the powers of attorney duly executed by such persons and filed with the Securities and Exchange Commission

By: /s/ Angeliki Frangou

Angeliki Frangou
begin 644 html＿98655barchart．jpg M＿］C＿X｀02D9）1＠｀！｀0\＄！（｀\＄＠｀\＃＿＿＠｀V（\＄EM86＝E（\＆＝E；F5R871E9＂！B＞2！＇M3E4＠1VAO1KW｀5：
［5＞I0500IR\＃9N］QUI：9：ZZG89U＋／W3F04N＜\＆D1，INQF［5JBQ＋T）M\＄E\＃J＋．\＃＋＜\＄／5［4，［＾W＇4／\＄R3ZS－？HHOILYJ＾＾XV＿（Y73UZ0AC．U\＃．＿MQU\＃Q，MD＾LS1VH9W］N．H＞）DGUF：？／1I＂\＆，［4， ［＾W＇4／\＄R3ZS－＇：AG？VXZAXF2？69I］M\＆D（8SM0SO［＜＝013）／K，T＝J\＆＝＿；CJ＇B9）］9FGST：0AC．U\＃．＿MQU\＃Q，D＾LS1VH M9W］N．H＞）DGUF：？／1I＂\＆，［4，［＾W＇4／\＄R3ZS－＇：AG？VXZAXF2？ $691]$ ］\＆D（8SM0 MSO［＜＝013）／K，T＝J\＆＝＿；CJ＇B9）］9FGST：0AC．U\＃．＿MQU\＃Q，D＾LS1VH9W］N．H＞M）DGUF：？／1I＂\＆，［4，［＾W＇4／\＄R3ZS－＇：AG？VXZAXF2？69I $] \& D(8 S M 0 S O[<=01$ M3）／K，T＝J\＆＝＿；CJ＇B9）］9FOSVK＝＇MYH］DRE3［AF＋＇］9LV\＄15－LXY8A）RQ，XU＿M0＜0NQERH9＇LR＋H4＿＊ZH＇／3＊8S）S\＆；\＄4CG＊：AB＊\％＊4WGU\＃＝OMIO［O！［＂E9OQ
 ［IMJ］F／\％UKR／D；\＄\％；O＝8FLGXCC：／，9，HL＝＊（N；－1XS）；．6D＊\＄＾LL60．GC\＆M］M90，RZ＠5\％＠X／T8UX＝（．＂）M（0E＾U\＃．＿MQU\＃Q，D＾LS1VH9W］N．H＞）DGUF：5－2
MS\％B＾］W7）＾．：＝＞ZS9＋UA：9KE？RO58B32＞3＝｀FK？6V＝PK，9：\＆＊8＝）\％O）RKR\＃＊＝MC45NMS\＆N47）！YIPU\％7\％W＊B M4SHLI\＃1\＄\＆XZ｀＞L．$\wedge$ OKHG＂＿GX＝［B／K＜．＿MQ［＠＜．／\＄＞K2\＄，＝VH9W］N．H＞）DGUF：．U\＃．＿MQU\＃Q，D＾LS3，8WY2＇8＝F\＃／4SM＠Q M？NUP＋？，＾03B79／L75C（T\＃＋6A21KQ7！［＇\％1：\＃9P9G／3\％ ＜（S＞GL，1｀923＠R，7 MQY1HU＊R＝BC－＜\＃E＇N＂／6＇\＄．H＞L．KK＋U＞B［H＝9＞（：0AC＾U\＃．＿MQU\＃Q，D＾LS1VH M9W］N．H＞）DGUF：？\＃GE［＿］0］SO］SN＞［W．／5QXZZ）RAW1］WN\＃U！U］8AP］＂＇4／6／ M．K2\＄，＝VH9W］N．H＞）DGUF：．U\＃．＿MQU\＃Q，D＾LS7C；D＝W6V；9＿5H＊［；GLX8XP7 M4K／8＞U2OV＇）5D：UF＊E［＇Y6／9D（9B［＝AT：T＠，7＇／GX－P］\＄＋9JLH ${ }^{\prime}$＂ 1 －？？AVU［ MS－
 ［＋C2\＄，9VH9W］N．H＞M）DGUF：．U\＃．＿MQU\＃Q，D＾LS3YZ－（0QG：AG？VXZAXF2？69H［4，［＾W＇4／\＄R3ZS－／MGHTA\＃\＆＝J\＆＝＿；CJ＇B9）］9FCM0SO［＜＝013）／K，T＾＞C2\＄，9VH9W］N．H＞）DGUF： MU\＃．＿MQU\＃Q，D＾LS3YZ－（0QG：AG？VXZAXF2？69H［4，［＾W＇4／\＄R3ZS－／GHTA\＃\＆＝MJ\＆＝＿；CJ＇B9）］9FO＊KDWD＾！RZRH5PM＝9ML／，XTL＝P；KQM＇5JDC＇RM＞ME2＠P2，MJ6VS［＝XQ＞， ［＊J＝1\＄［9\％9\％PT143D（］＊B＾FS MFK［［C；）CE＝／7IE＊＋Z；：：OON－OR．5T］＞D（－\＆C1I＂\＃1HT：0＠T：－\＆D（－\＆C1I＂\＃1 MHT：0＠T：－\＆D（－\＆C1I＂\＃1HT：0C＊＋R［\＆U；／＾1MZNU\％3｀EM MS＂SSZ／QGA\％KNAP？GU：YVIY\＃QSIG\％LEJ＊WS－5\＄929＝，\＆Z＋\＆9E\＆R3H3＋＝CJP＋Q MGM＝Y13＂UJY4BO［：L2Y｀K\＄MR9VV／55＂O＊S／8E＠95N\％＊0＇［AG\＆I；K！＊｀｀CQZO＝\＄／＂\＃P\＄／＜＇B＇
 ＝＋P＇W＝（1G：Y\＄＞MH）Q6XGE7；I4HO＜＾OA3（V＞MM，U＠N＿［KX\＃－L？DO（V／8？；：｀03：9）／9＿BHS）MNK MT2X：\＆＠JW－6\SVU＝K\＃＊！3M\＃D\L＊IU＊；，＇P\％MRSR？NUWD＾J－M6W＋M］［＝／Y3］；－ M：．1K）M5RU2：\％MZI，\＃OJN＞99／－LMN！NE＊＠＊＊UC？，C65CVC＞L6N4L，PO8\＆］＜：1 M3ATJ\＃8＝L］\S1B？\％EAQE4\＠Y｀J］／LV9［F．／L50，］，（LIB＿P！S）\＃2\％＠5KU7CU3 M\＆＝2LBA＂Q3Z2＝\＄；IBDU； （ 9 TLD＝＝N15L：＿O0VE6C＜18－IEG？！（1＜：NA＊2L4D126B（M＝\＆2DF＋1BJ1＜4（S36；M\＆Fl＞JX4Y2WE\％5\Y［XFV7MG／＊＞；B\LXEPS；．9！T\F1，FJDC｀L\＆A6M65：PAP3＠S－
（＜\＞O\％QZC5HDK＂＋，＇L：5 M：，6；KG0C／1R＝\＆5，；UW＂W）B；\＄IODO\［6\＃＝5M（3＊PR＾YO\＆W：5QS4－HU\QY1K＊T MOFY＂O9OM－14Q5D＂9R］9T3＋4）＂＝WD7F1E＋＠25W＿6\＆＊WA6
 （V3L28HW3X）R！DG\＃＋＊；DT＾＠5VEL8QSC：L9＝：0NV：D－R9\＄3 M＝－XURG＋＠5J＋CE7＝；：\「［＝KEE？＋／＊；＠O9＞17VB7；D19＿：（ON＊LT；F／E\＃［\％CQ［ M＋Y\＃＝9＿G＜31，\E＜\E2MM\＆＠D0C－ Q，GYF4EBR1M1W\＆．El；WO．＜7FQ］6HJDURQOVJSW\＆＾0K？CZZU）U，TFWR＋IJM＇4 M．W＋354N3N2＊I！1\＄LI＊J＂YF＊3？）R？．＇MLN（LW）；E－N\＆／－J－E）\＃8XPQD！O？ZG7 M＜1／－＂CBI）A\＄46FR＊\＃I＂\％37＠8NI2l：2L－BH．（－＊NR\＄］．Y6．A\＆MT\＆FJ9P＊J＋2．Z9－1（AJ9HS｀N＞K／L［ICE［A［OH＞YZ（W］？7Z＋＿｀－QZ＾ONZ0C\＆（［RIO53Y5＂（＇\＄\＃＇＞＿4＾U；＞［E M［｀MIJV7［IO（REC＞＝PPUV］W．M80M－EB\＃T＞K［（R8V？1＊V1\S／Y2 M4E＋ID7＋9G！G2）HC8XC＝X］ALVVS＊6\＄FG＊09｀W18＿Y－SE－V＞Y＞K9，80\＄＿＋2＜＜／＇MT7＝XI．＜；A＿7CS0｀？

 MON－OR．5T］＞D（－\＆C7D＾7L，\＄MY1\＃＊QH38MA＞！\＄＂＿9＾6＠M｀X＜7（1＿3］F＂W\＃B＇\％？MH．A\＃＿3X：0CUM\＆D ${ }^{\prime}$ ；＊＊PU0EW＋FP0C＝M $/$／\＄（Z＜＜＋2T＋7DG4．C（，E99BV：／7L8F［；GD\＆；11＝＝－D MZ＝，2JBZ；－W9VKDC5＝＝\％－）R＝LN5｀ZAD5｀＊A＇HZ－\＆C2\＄\＆C1HTA！HT：－（0：－\＆C2 M\＄\＆C1HTA！HT：－（0：－\＆C2\＄\＆C1HTA\％\＃？＊3；2＊Q，；＾＾2CW5U\＃\％ELM＞76\＆］NFTB＿9 M\％8\＃＞ ［8UH6\＃J＿＠3＜－）），1C＂O9\＆HXVJ\＃Z［R1：［L\XQB（\＄；58\＃5M．S2LFK\％5YNR MJ52Q3A？！＜＝EI＿4，＋Z（＝？N＠M $\backslash!\# W!X A Q Z \wedge " 7 R " 9 ` ' C P Z-=\$ 1 \# U \wedge L " B /->L>L ` X] 8] \_2 \$ ? Y X 6 W G: M N L O V ~$ M］PF\＆＜＞8RW\＄3N2（／D；－X＾WNQ8IO＞W＞］89A－E60；＇N6B，K0NR＿！\％］LD）\＄）；CVN M9H9O－Q［27L－DR＿＞7，7\＃0\＄M＇90BX\＆：EZ8\＆AWD：\＆\＄M？－V？＊＊；GZ；C\＃）．＋MN＞5L M $>$（G／BO＇\＃；）＞＊；OA＝］9LC［＝］NDO4LRKQ5\＄O\7JM809T）［，US\＆\＃NRA\＃\％AIJ5K M\＃IC！24M\％0K＝X；1｀＂90X］0CQZNLQA｀／N｀（B！？＿P｀H！W｀［P：Z4A2］SC］T3\＆，／＞M［IA\＄？N！QZNOAW＝ （1\＄；；N＾WO\＄L6＜5］X\＄3M5BZ＊TL＿2；＞U］N\＄［F＂？M＋N＠IR－H．MZ＜9E9Y\＆KV＇Q］K）！\＄J＂B32AJRL8I＊＊61\＄JW8Z，29？）8WC\＆＾＾Q？＞7\＃X4VMYFV
MJ．，7［＂＾4\＄VHF9M＊CMF＾；115＾3＠，R5A2PY1S＇E／，4［C＾M8PCL＠；A）9NK！XPP M］＇V\％：．JBH0］\＄HH8．｀］WJ，80＿JTA\＆＂E3\＆＾3 MZ＿\％VW；PW＋TZ．OF1T＝
 7Z＾OJXI＞｀：0B｀O）：R＾Y＞＞Y／O：G，；P：R－／W＇2\＆＊8UQDR！6J＜30Y\％L］－M）RI：＾［L－＇＠FD？\＄4ZW3\％／＋7IJY56／C（QK7K5（3\＄6G\＆1PMC，D）＾ZX＂‘く｀\＃＠＇＿M！＿Q］WB／＝＇7＝（0：－\＆C2\＄\＆C1HTA！HT：－ （ $0:-\& \mathrm{C} 2 \$ \& \mathrm{C} 1 \mathrm{HTA}$ ！HT：－（0：－\＆C2\＄\＆C M1HTA！HT：－（0：8＊7］4I4＿＞＊R－18＞＊］／［I＠I？U2E3］XK（WQAXKTA＇I47TV＾＿\＆F！M\＄；［69／＠M＋＊NYON）；39NNHB\％M＾／8；＝Y＠9\＆，BVN2＝PPM1CPC＾J－

MA8O9H／P2P＾＝KFC56ZZL1＾W\＄YTT\WN．；PGECR．＾6\％B］F＠＿！＋\＃YVCRPL7LT＇X）M8？．US1IUU8C］N）SIIYO＜4W．）SB\0YQ M？1\％XIOZP\＃2）E＿5＊5／WBLC？\＆）BO2U9＿Y8S＿UI\＃＿S｀TBI？ U2E3］XK（WQAXKUU\＃M\％3GZE＊3ZY＾；＝FEMS\＃：6U．D\＄I26＠2！8\＃83M／／＂／2HOILYJ＾＾XV＿（Y73UZ92B M＾FSFK［［C；$\backslash C E=/ 7 K H \$\left(X\left(@ 4!\$>X ` "\left(\_<. . . J L(+E ., ? W+E 27 ') S 41\right](D \# 57 \# ~ M>2 ; ' ? ~\right.\right.$
$>$ XOL，2V（YMIAL／61＋\＄E－HW\％V3PN－DLSQN1HL＾；／H\＆N］F．：M3？C0］J\＆H］9＠VKX\＆SJ626R／C＞MS\＄U＊5\＆＞H2UM0CVT9＝\＆］．M4［3K＇：＊］＇6UBBE M．QC＂PRM！J＋F6［＂＞（N\％SP， $\left.\left.<=)=!5 L B J F A \%+61>6 \# W(U "] 9 B Q / Y W \_\&\right] 6 R F K F E\right]$ M4 $=$ ME4R＝）Y1KK＊U8／＠\＃；IYASN｀O－KB（＂9KKZO7．＂VM3＜）48＂BO3S：，BM M，＠P：T＊QK＋：I2［\＃＞5｀P\％\％DX604DU75｀？
2DPT［\％N＜4TA）RS7）T［\＆＋\％\％Y，（V1（D＂T95＊I＇．A＜：Q｀MX］＂\＄／＞＋S＂（9ZKL＞＝I；＞R（O\％V1 M4＇＊A，PWU9BHHI＝L3\＆＊／／DT：TI\＆RZ｀G93／＞HR1＾7\＆）＝＊S＠＇N＾\＄？EUP＋＇N7KFG．＠D2 $\&>+* ? E C T$ M 70 ？O，（OM］A／L6U＾＋＾＿？1K1V＾PGV＋：＿\％＿？OHUI：＜‘］WPC\NC＠＇N＾\＄？EU3KH［ ME72＇B1Y＂＋［？83［\％M？B＿OWT：T＝OL）］BVOQ？W［Z－：6G $/=\backslash(++H X![O A ' Y=+H[$ ME72＇B0A\％］OL）］BVOQ？W［Z－：．WV\＄＾Q；7XO［］］\＆M＋3＠＇N＾\＄？ET＜｀］WPCINET＝R MKI\＃Q（0B＾WV\＄＾Q；7XO［］］\＆M＇；［＂？8MK17］＾＾C6EIP\＃W？＂／RZ．＞${ }^{-}$［X1＾72Z．Y5 MTAXD（1？；［＂？
 ［X1＾72Z．Y5TAXD（ M1？；［＂？8MK17］＾＾C6CM］A／L6U＾＋＾＿？1K2TX！［OA＇Y＝＂$=\\left(\_+I='\right) " \$ 7$ MV＾PGV＋：＿\％＿？OHUH［？83［\％M？B＿OWT：TM．｀＞［X1＾71P\＃W？＂／RZ71W＊ND／\＄A＂＋［ M？83［\％M？ B＿OWT：T＝OL）］BVOQ？W［Z－：6G｀＝<br>（＿＋HX！［OA＇Y＝＋H［E72＇B0A\％］O ML）］BVOQ？W［Z－．．WV\＄＾Q；7XO［］］\＆M＋3＠＇N＾\＄？ET＜｀］WPCINET＝RKI\＃Q（0B＾WV M\＄＾Q；7XO［］］\＆M＇；［＂？

［X1＾71P\＃W？＂／RZ71W＊ND／\＄A＂＋［？83［\％MM？B＿OWT：T＝OL）］BVOQ？W［Z－：6G｀＝<br>（＿＋HX！［OA＇Y＝＋H［E72＇B0A\％］OL）］BV MOQ？W［Z－．：WV\＄＾Q；7XO［］］\＆M＋3＠＇N＾\＄？EU＂／？ WO0B］B．＂F＾；97＇4YE！\％WD．GX M］0J！99：K／1＝6Y＊：62DSRT\U＞，2MF＂＜＊MTS；H\＃＋N\＃＋）｀DERKTY4JG－R\A（2C2D：R9G）IU＋，NPWF2E．＝UU：4）N0，RA＊NT，ZE（ULFWLY5\％W［1\％， MRU\＆N［5\＄\＃JKD（45G3JO（MFZ0＂8！47＜＋）（I\％XG54（0HF\＃＾\＄OZI2I＾15D；XQ，5Z M＠7R：－＊，P？＊\％QV4IB）Q＇9L2＋XDN\％＊KCZ．L5OKUP\＆9＂WU］W8F；］FVKS）＠BT＊U3 M9＊M＇\＃9PFHH902＊IJ＠0PD＂＞DOZI2I＾15D；XP\5Z［／＠＾B53\＃DQ7Z）6I）ZG56G3 M［3\＄［）3！079＝W＞Z\％Y\％Y＋IS95）．Q1X8R5\＆G3M）G9BG5\＆6）0Y（］＊B＾FSFK［［LC；ICE＝／7IE＊＋Z；．：OON－ OR．5T］＞KQ\＆E！IM＇＞818，＜MM0＞！W5XKB68［）0；\％E＊\％QN，BF：VOL＝U2＞＠JQ／W（D0F！UTJ＿＇6\＆RPL，＞0＜＝＂DO M（O＞Q6？
9＊C9X\＃＝RC！Q 0 XB＇\＄！\＃B＇＝\＃B＇＝\＃CUI51I＝ZK7ZWDF＂Q\＃2\＆\＆，）＾XA50LX？\＆F67）［＂98：？＞9Z1GX M＞＊KSINV：＋NI）XZEJC2，U｀\？（，E（：Y4R8＜＾5CYZO\＆Q\％TID MI＊（LF\％MKKB2I\＄？｀$(?$

M\＆V9FESQ\＃C\＆A7：＊Q；5＇\％1DXS（YKOEW\＃FSS\＃．2I．＾VVUGD＊［，51I\＄［．＊W．T：\＃A MJQ\％2；；（9｀G\＆\＄Q＋／V56＠U7R\＄647（0lVVF＝？｀！／D＠？YNWC\＄O7I6＜\O？｀｀ZA＾3 M31W＞CQ＊V＞Z］ （ \＆D［D564Q；D－＝＝NE？KLWCT\％4［MB＿I\＃K＠＞／GB］［］MYA9＜\O？－＇＊A＾31SR］＿｀J＇Y－（WM\＄B／9\＆Y＞，．］＿2＇1VB1＇LC＿I\＃JFV1W M2NB／＇CR\％ESR］＿P\＃J＇Y－＇／＋W＿｀．H？DTC＞T2（］D；EXP［W］ （ $=$＇：）\＄$>$ R－R $18=[\wedge$ D M．ED＝TKHCQX0LN＞7O＿P！0＿）HYY＞＿－｀\＃\＃FD；VB1＇LC＿I\＃KI：－\＄E，4P2－MQXE\＄\＃！QR\＃＞C！Q｀＞（＜2FL｀E，＇\＄．LI＠\＄I＠ZC｀（＂（：61W2NB／＇A＂RXAWPl（：．（ $=$

＇\＄．＾＇A\＃21［2X［V6NOC｀N？Z：T＝I＜＝［＋77Q＠7／］M－：61W2NB／＇A＂NXAWP<br>（：．（＝V＂\＆DCVEQWLM＝？\＆！＜＿P！－．．TN．］EKKXP＋G＾FM M＋（［I71＇CPA7＜0［X＞\＄－＇\＄．＾＇A\＃21［2X［V6NOC｀N？
Z：U＿9＊I，4＞＝S）2VFYW\＃CT M］WMCCAPXI．；TLL？F＝WKO｀！ZN／＇＠\＆G8UJNB／＇A＂HXAWP<br>（．．（＝V＂\＆DJK4\＆＂MQ＠，：4MY1｀．；＾H7FW－RB＇\＄1XF＊C＋D＊8W7＾V\＄！＇AP\＃CPU＿／M＋CO9：Z＾，＂Y＿IK3 ML＞571＇CPA7＜0［X＞\＄－＇\＄．＾＇A\＃21［2X［V6NOC｀N？Z：T＝I＜＝［＋77Q＠7／］－：61W2 MNB／＇A＂NXAWP）（：．（＝V＂\＆DCVEQWLM＝？\＆！＜＿TUH［2X［V6NOC｀N？Z：TLCNE＝\＄
 M $\wedge^{\prime}$ A\＃1Q\＃OAX0TD＞TN．］EKKXP＋G＾FM？K［6\＆G\＃AY8V？APYO［K［－QX＜．＂G\＃）B／．M］？G＜＞／＇KT［＇E5T1S＞［］＿HA＂BYY／］（O＾1＇RZ．＞3＿＇\＄B＿［P？＋I\＆＝HK\＃V＞OOC！


MOOC！MGZ2T＝HS\＃V＞OOC！MGZ2TLCNE＝＇＿JK＞］＝LY＾］＿C［＿D＝BSYY／］（O＾\＇RZ M $16 Q V 6 O U " O 3 U L M, U \& 5 \wedge L 5>\% E ; ' 8 Y \wedge 7=I, 8 F \# @() @ X E 9 F 9 E ' J P E 19 Q T 7 \& M '+Y \backslash M Z 5,5-~$ NU；K＋＇\＄＂D＇7B\＃28T！X\＃8；V｀AZPY\＃M8\＃＿：＞HP［W＊：Q；；，＝W：Y9N［JF1V MN［A\％2D＜7JT．6YC）8AN＊A2K－U9\＄R2R9A‥DJ4R：A1\＄IRF（（＠．：69；？F）＝＠K4 MD／／M－\＄A｀NXXE！
（NJUQFOR；；＿P\＃3：0MQ＂＂2，RTIX．Z（＇＋SGRX\％！C？？GLNS！＜MZ＿CO\％FZ7！＞0KW：SNTZS4＊CD2\＄FK\＃／8Q3V＝＞DB8QJJ9P］．UAHU＿＊＋E1｀138L MW＋＠WZFB＜0KBID（＂｀［\＄（＋K\＃KW＊X8＿］！？ －9Q．2\＄2，＾Y1O9LV5，M＇\＃HG＂！RJI＠（AS3｀0P＜］，3）F］｀80UHE\D｀Q＂＋＇8G｀K\＄？3；DWGDL，MAS9\＆；D9！\＄｀－＇7T．I！TNHESNL！＇W－YQ3\％＊）3！PZ＿U34－\％DEHAW1NBO＂TE6）JM M－／US！－8，W－ 2C4HM＋DUB9Z5＋｀；：？＞24（3（）6\％Y\Q＋A！2｀3W＊；P0S＠\＃2＿＠BAL M5！RI－N5；＂U0WP［＋）E5｀S\％＜\＃）：U27Y＠63O8＊S：S；GME\％KF／7D：，？＾C＾\3WT<br>＄M？\％K／ZT＠2＿JE＊G［Q61OC\＃Q7K－ EY\＆K8）NH3＝\L＝Q（）\＆0RK＠4Q2－）\％VT14YF．＋｀M？FN4\＄\％＂）．4S\［FJD6（8\％＂\％（01YII｀Z39？U2E3］XK（WQB8KU，8［］EO2E19\＆OH M＾5Y＿T13］＋7LCXN＾\％W＿TQZ5\％］－G－
7WW\＆WY＇＊Z＞H3｀4．）A＂\＃NB（＠｀？UZ96B M＾FSFK［［CC；ICE＝＞1NC：RQL\＆9\＄EXJV6＾I\＃4JS－75＾O2；S4L834S\＄U2（？S\＄A7！R M5\＄－＝MXAWPL＝U79R；5TF\B8；M＝MD，F．－
K\＃9＇：\＄72＜0［X＞＇1Q\＃N＜0X］［61＿＋？＊．［TJE9－UE；D］S2T－4J［ MN37CY3．．，＊）0＋91＝FV＊3V\＃＞9\＆4＋＂－JK＾1－K\％，L＝4S］9＋CAS！\％（MR＞4W．；（＞＝MI＾26＝GH\＄
MP7L5N＞），H，K\＄\％＝：WHSO．N3，T；E＊RZC＋9＜；\＃\＃．／，V7JK\＃04KC\＆W＋OD（NHN7I MVTSWJ，D？EQB72MTS＝VLEH）GV＇：）X\F5F；＋\＆\＆0TF，F\％AIS＝O，）＇NN＊\＃＇＝－D\％Y
 M．T＾UW＋？C52？TOH［8［3［7FCQH6／（＞186VC2）［8［3［7V．T＾UW＋？C52？TOH［8［3［7FCQH6／（＞186VC2）［8［3［7V．T＾UW＋？C52？TOH［8［3［7FCQH6／（＞／86VC2）［8［3［7＜
MM $\wedge-5) \_2 \wedge$ CMCM／M＝RWXU4G］＋Z93RIZ：／\＆A8\A［QA；：－（GMCM／M＝RWXU4G］＋Z．MV．T＾UW＋？C52？TOIE／＊GIH $\backslash \% C R$＇O\＆\％MHTB＞V．T＾UW＋？C52？TOH［8［3［7FCQH6／（＞186VC2） ［8［3［7V．T＾UW＋？C52？TOH［8［3［7FCQH6／（＞186VC2）［8［ M3［7YCR5＿\＆JD＿I？3＊＞5／31XT＋＇D／＞，＋＠｀；；J14XAW03244\＄．／K［\＆0＾SU．－6O\＆．R．K3G＠SH JJZ＊S\％＝＝5｀DCSTD\＃M＋＊＇；＠518VI8\A／＝＋Q）［\＄\％5Y\％A；［XX3S［G1JG－SEX：R；P\＆J\＄「BW9\％＞W＊？62C5：K＋＋＊2＋＊＊B5）V13［RD＇＊0［［L／；V］UV．
＜7；H，＠4BA8＾R\＆RB＊＝4HB\＃Q／）B6736E9B3＞＊F？2；I83O\％4TU4T2HI）：IM［9C＇V0［MSF M\＄1，？：AN！．81［HF／A＞WF，8＞＂．）C＂（CP＂XB／＂\＃JUATY5MPY＜$<$ H\％O：＜．F＂T＜
MY4RDV\％1＠NX9N\％DA＋B3\％Y2\％．NR67：＂＊I＂E4\＃F＋＇＊F＂＠\％5\＄\＃E．$; 6] Z,] 9 \%-D V$ M［！）：＠RK5（＾U／／1\％＇）K）4\％R（\＄－AFV\％．L9\％＂6．NH1，HBM＞＋MBPIUPW！＜5＞Y：0Z13＊＝0＝\＄1S3Z？
＊R；］3PNS－U\％Z6ET－．3LSDII＋\RIM（4\2M M9SN\＄K）6K；M，8UN1X＿？（］Fへ＾＊J［＿｀－W7＋＞M\＆OD＠［U！T\＃）／＂＿P\＃9］［UF］Y（E MPZ：J\＃COV6］＊7QD；X＿｀＝\KY7＿1PQQ72U［（V＋OAB8＂［D＿IX M＞＊／2HOILYJ＾＾XV＿（Y77X＝TD8，WMNSS\＃EJQ＝\％）／\＄\＆1\＆＊53KT＠M\＄3U＠69ZQ＊73\％L7C＊S6J［U6\％M；${ }^{\text {；}}$ C2V＝\＆＂1；2S\＆－0B2W1 M\＄］\％W？
1\＃Q＇＠（AU＞／＿O！W＠X＝！，H\＃Q\＃CQX＜．Z／＜＿G＿X\＃B（AP\＄1U6；－－KKOL＞A M\＆．47Al＠7：46Q；＝V\％\＄＝1\％？PMEZP3U］D7T＿E＞K＊S6\＆H6（ISI＿F．F15AP）G．＊G；MMCQ\＆＝K，，XQ！？
COY\％\％O\＃IKNWIQ）O］VM9SS7）8\＄Q；D5：U7＝G2T；W＇2\＃：I6］IO；M7\＄\＄J＾＋；M－LJ／DF0A6M（N－EJ\％0S？AVQW6K0\＄T］L\％3B\DU＝：9CVZB［U）BA\＃GW＋MT［：9［U\＆2／RXQ＋I6Z2＝Q｀PYMIG－ ＊YI7＂8＾＝\＆OKF＊？Q2W］＂KIS1S\％／XI；＾A M5＾9JFQY8\A［QCYT：＾N8I＿\％＋？T＊OS－＇，4＿BEOZ\％7YFD＋＇D／＞，？．C7US\％／XI；＾MA5＾9HYBG\4M＿0J＿，TA8\A［QCYT：＾N8I＿\％＋？T＊OS－

 XQH＂JIN：DD＋I＾JW；＠H MJ；T＊28J＝0WH4RF＇B\＆O；\＆］K\＆＿）；＂QY\＃WC＇［M\＆O）BIZ\＄G17＂\＄F（J：\％KT？9／E M－）QLMV－TW／Z＇LCRMQA69；\＃＾\＆J：］5：S．）？7＋2\＃＊V\＆G7DRLNY－／E＊IEUEH：N7： ＝．9P\＄I2 M0FYL\＃）T＞BU3\＄\％0815＇DW9ZH30＝，O＊M90MT，LK？＝RE：DI［！EIQPW4．Q0；7－A\％MQX｀（B4H＝8F，4A0［YCF｀I0［W\＄3＂｀！QX！U］8＠＇7JM23Y7－｀）．2\＆M4E2I／＜］7\＆M MFB＋：＿HLE\＆FHV750：VN，LJU／？Q！WR\＆／58TZC：R－UHH［M\％XI＇BLF99－V＝IP＜\＃＊M？：3GLFZ7；KA7＜＊WJ3ND（9：JD3＜＂5－S＋I6－：O｀ZE＇3，T＜8．OST－＠\＃APX］WUN＇＝］；78－
M\＃\＆AZGZ1：CCJFX＠GJG2）C＂\％！FZD\＆I\＃＞BEKG91\L．2LR7VIA\＆K＂PH＊4R0；CL5D M\＄\＆＋［H\P\＃＋8NFL3RM2F9J04：RID\＃！＾QK＝／EG\％EC6J\＆1\＞8ALMAI］F；L（B57＠9］BYCT\＆$@ C$＇SI？ ＋0CQ5L＂MZW，1DHU\S，8＞＊C＝4｀\＃5\＆＿（U［＾］X＾Y＋＞＝／XKSSGB＞R＝04＝OV4＋DUKIQ4＜70J；M2SUB\XEBH＞60D＊70ZO＋＝＊WCK／－－3MEGZS！P1X＂BS0R［＝LLE MQYAP＊．\＃KIP\＄2＂！！RRC！ZA\＄＂＞H！＇J＿ZH＜＞YUZS＜＾1＿BF－RB\％BYI3\＆X；6，X＜M＞：43＜．．2＜\＃！U＇＇UQ｀／NB｀＞OJP：－l－8？J\＆Y＾TU5V？HM，G＊W1IFAHI－6F9\＆7＞MJ－－2


M＠｀1ZO7［P＝8］6M\＆WD＠\IR［\＃8＇G\＄．7］DGA？］L0Q？\｀L＾］＿Z0！＿P（＝\－＝．TX＿A＜M：（＿Q］＇＿］＊KK\％ZTF＾SW＠＾K＠［＾4QQ\＄8＿（T？［G］XOOIX（＾＋6？U「E＿5＊5／WBLC M？

）．VJHHOILYJ＾＾XV＿（Y744N4Y；UX＝OD5）6I＂TKP4＋D M：（？．NU／\＆OR＜＋J6？8\＃EG4＠2P1；－；）ML［7：；89－＊＝T＜8＿＠R1＝：33JS＋（\＆：UCY
M，O；！63）＊6D）ZS（，19／；＊＾JT，R3K］＞BU\％4AEK8WE＞T［I9；＝W0＝R［＾N9\＄＠，7V？M＇F\％：］，8PH＊D－0\＄；Z\％！；VV（M＝OA8QE＝，KXI07I；N＾5＇\＄MU5＞L＊WE：SSUQ；V－0 MA：TPJZEY，V（＞Q6VPIW＜（C＇ （2V0＋5，18－0KG8GT＞／4；NE\＆Z MR13＋0A7X＇；G3＝N53\＄＊DA83SRl＞；SB\X｀XB7B＇\＄［＿\＃CQX＞［I＂＊\＆I＇D，J＞16\ M3\％3W＊Y\＄JMN0N｀R\＆WFPA0：＇－HX\＃Q］）7＋＝I＝；3C＠8：0YC；＊＊\＄＾P！ ［\＆VN1\＆USDG $17 ; 4$ MPT；F＊C9（NTO2＊51；＇6158AG8RO\＆8T＞MRY\＄QGMJQ－E．Z．KLR1；V\＆UN；？4］J6＋CL822；M8VL34A＞W［（［UO8（J／K＝K＠J）A MQXG（＇－
‘＠；B8／0B（l＂＞OJ\＄1ZNOU］＝YQ1\＄2＠8O．＂\＄210X＠｀］P1\＃N\！］；OZ0B M）MUQO1U＜＾P，LK7\＆2LA．8OR\＆YE7＊BCTQW：Z－VQ．1－0Y0＝＠F0Q2G，＇ZD1，！］＜．M＇5I7＞9Q1OM8C？＂］＿／－？ IN7IVTSWJ，D？EQB72MUP／＇BE）Q－．＠＊4！J9（V！（＇J1 MGDCWB＇O＜＠Y3］4（GS．＊－］K\＄；X7OYYH\SBC？：Q\＆＾\％［＾＞：6VC5．SK［M？2／U\P［T
M＋＾5AY＜7E＿GFCS．＊－］K\＄；X7OYYI；－，ZZ＾［7TC］？，．］＂＿E8＞M7\％Y7，（GS．＊－］K\＄；X7OYYH\SBC？：Q\＆＾\％［＾＞：6VC3．ONU］（＿7S\＃O0OY6＇EQ＞5S M＂）\SBC？：Q\＆＾\％
［＾＞：／，XHWVL1OA＞－GFEMHTSK［M？2／UPP［T＋＾5AY $\left.\left.<7 E \_G F C S . *-\right] K \$ ; X 7 O Y Y I ;:-, Z \wedge[7 T C] ?,.\right] " \_E 8>7 \% Y 7,(G S . *-] K \$$ M；X7OYYH

 ＋IEO）．！＋GJE．，U，L\％O［｀\＆－IK5P3\＆／［）［－4［）！\％＂T＋P＝BMK＂C6 M．\％TN83A1＾H］2\＆JQOF5＋＊ZB\＄K7O4，＂9，X\％Y65G，J7\＃＝D＞GX＋S＂J！6441O\＄BI！MT4－
V＞ZFMU＇，SJ53VK4］O8）UA＞SZIM2［EK）8\＄9KFQFJ．．Z\＄｀！K＜4｀AUB｀G＞｀M（H0＇＠（？X8／W0＇W－9\＆N5CW［［T\＋［LLX8SQ\％N：R M？C？＇］7K＾）\％8＂HU8E\＄）\＄1KB＞Q／7；\＃，N41FJ／－ R2B\C，／G＋YP9Q（＋\％！53F（\＄11 M＊5，－2VTNV62＾［4］LUYN，PZL－NN＞W［\＃－LM，$\wedge *$ V（］F［＇8L＝5Z7FY＝X1DW：，RN MI＊2＝N7C＠K1HU；\％56，5！NBD！\＄RSV＋M\＆＞（L\＆X3P5C＂ISU，＞IN／）－ $\wedge=$ I\＃\＄E，SCD M［＋M，2\E，＋34\＆WI．79：643S（2）＞8F＠5）7＝0＂4E4M7L\＆57\＃U\＃PW7YUZ1NR－T：7Z＠M＇1\＄YNCOE＊14\＆7）／K＊MJY\％\％，？／VWT3｀JW，［（；G623＊／．2＞J．4C\＃S3G\＃B）／ MK＂；］L！3\％R＿\＇）M＾KJV－？＂2QU＿P＂；／：U4IOW＾JZ＊＞＿P＂［？／RFD－？J；2W2＊32－MT＇H\％E：52Z＝3）：：E－＇IS，R］．D9：28F）AW\％TVAU］JJ6：：01\XAM＂5NN）4M24（2 MI1＂0！V？＇－，IE／TJZ＊F＊？

 （B＂＜1X＜＞｀AI9Y7＋］［9WO\O＇77 M＾TXO6；GR／＿\OA］B＾＂QG\＃XR＜\＃：IFBLGSM．GPW－Q．8＝｀－＾｀＂＝D；6Y＋？）LX｀（K M＾＂O8－3\％＊8555＞H\＃＂＠＇K\＃W／7XRYY！＂IJJ；V\＃．＇B］，OTX＇\＄＂RE＞

 M5＝＞F；K＜＿HU！3V1Y95（）N88AN）5＂\＄．＇＂P！SBAQXAQ｀＝\＃＿＂＂52K4）L6＠7＜3\＃，MV\＃GSR．\＆2＝．ATXJOK｀O－SV＊R－18F＊］9O＿＂－\＆58M？WB｀NSDF1QRG＠D01E M（B7A7（ElS：P｀＂A6DTPCG9DC＂｀＠1D\＃\％，U＊M／L34L＿57W\＆9B6＝；？8＞0；$+; ;>: 4 I M Q) M 8 * 2 H C 9: \wedge R / 2 H O I L Y J \wedge \wedge X V \_\left(Y 739[T ~ M 15 Y) R \_A 9 S 5 L 7 V V \wedge U ">; 62 \% G W[C \& \wedge<\%-O-~\right.$ GF＊］\＄HR）I6OH9．3QEE？RJ：／Q6；K M／6＂E＜8MY9－J5FYLL＂＠91R9S＊＋Z；．：OON－OR．5TV6＾66N，1M？R＾K418QV6F3F
MA75E＞＊HZR4\QA）FH2］／G1L＋RLR［7\％＾64）：Q）\＄（＠BSKTO6DH200＜．U9＝\＝＠V6 MBY＊＇B＠0B－＠\＆＇K＋A＇\＃DA4I＊ETRDUN3LCRXU＝G6K）C2V33L［＜9［\＄．\＃L M\＆TB＝FIEVFVDNV48JW6RRF＝N）2V766＝＊M\＄6L\％9＿＝）．8］Y5／＋I；3G＇V－7＿＋＞79S）CVQS］FR，R MQ＇6H\＆QPE7F\＃X＿E7R5S）．）VYS＜｀2＞B［＞－7R＝）U（MWJ＾1＊9E＂A6Z－J＝＂QU7JR］ MQY：L＝XGPS1SU2｀J4？｀T？RKK＝，（VAK\＃59］A（RC＾＜1DRM［（GL｀CCW；YBW\＆ENP（］EWLBC；JGM＞1 MN\＆616\＆R54K？C＊ZQ3E＾］A（BW－＋）．3－V｀YFY12X［11K．YA3，\＃\＄B＾\＄YV1S？C．P4 M－
 S M＞8＠VDY＝－0＠B8SE（Q0（94＝GW＿｀．UBI＿CW＋？0\＃7Z；EZ＝M， ZZC$)^{\prime} \mathrm{Y}<8 \mathrm{ETK}=<$＂QZ M0，33O8＠＾＠R6TYOZHSR\＄\＃P1Z＞＋WOWF\＄3V？？｀［6＊G＾／Y；Z｀：6VC3，．X3WU＾－＂\＄3V？？＿M8 MJ？ X］RWT｀T＝GW＿P＂UBI＿CW＋？0\＃2VT：9AW＂＞＾OQH0B＞S［＿｀：Q4＿Q［EOH！H［／O M＿P！K\％3＿＇N6＾＠\＆EMHTS\＃N\＄］］？C0A\＄］GW＿｀．UBI＿CW＋？0\＃1V？？＿M8J？X］RWT｀T MMM\＆F8＝PGOKl：\＄（GL＾＿l｀VL5／＞Y；ZZ：．S［＿］K\％3＿！［EOH！I；－－，P［A／？7XT M（1／9］＿\M8J？X］RWT｀T＝GW＿［6＊G＾／C）7．H0SLS＂8M＝7B＇Y\＄TECL96R
 R\＃？；X2］！GE\＆15C＾R9\＄R［＊\＃IV19＜\＂\％D0，5）8 M682QS）］．I．［EC＋M＜l？${ }^{\circ}$ ）T9XMV／［A；＊\＃；（］＿AI\＆－M＝（LDS4K1度）RF＜，＝14D6 M－L－？＞QTO＇］GQ；UY＇／＞Q＇B（N6＋MRT6\＄Z＂ZA\＃7F：T＝8JI＞ （，＊X：＝DJW／（D）．H＋，C，32D2Y＞4HJ24A1）；40R3E！L3＾\％：W）5＊B4NI2：J；M，5］－．＞IIFEH＊＇92IS｀EI6；）84II＋＂EYB；IUH2A1U1－＠；＂A＞Y！＋UFJM6＊＇＿UK MS＋EX＾OU＜／3｀（A＿－KH＝＋T\＆32M－ C．AJMUN4EIHM MK7，5JE2S\］＋H＾YM6（F＠Q＋3；M．＝＝＂F］7＋．：Q3！0LK6C．E＊0NWR．C＊：7I＊；TILA＂？1JYBHOVA7N\＆BIBIN\＄MTSB！＝0．S\＃RP＞T7｀V4＋OAS＊－Y；P－QS．
 ME）F＞F，／UN3I32GVIIJHM－LS＋；［CKC＋9＊T＋R）3，\＄）） ZLX2T＝T＾N8UQ；A6＞J\＄X MEG\＃Q3］E＠＾：M9 M！，［）PN＠1\％T0R！U｀UFGY＊3E＂－］\＆
$\left.\leq=\backslash .+, 8 \mathrm{Y} 0 \mathrm{~W}^{\prime \prime} 6 \mathrm{~S}^{*}\right]$ L6／RR＝3＂T\％1；057RBVWH I\％＊J\＆CS2I4）VG2］A\％IWDC\％Q8UL7［30FXF\＆CD＠R］DX4 M3QEA＞3＊BBGF5＠＇－43D＊JL；G\％＇O1井\KD＞1X＇5I1VEYT）＂PL＇ M（－／／338G7DK＊］AUP6＂＇＾\＆＠，D\＃9M5IHADBE｀＠E6\％V4QQ，8HH\＄＠\＆．E／）（I5［ M2O？BR； $15 `$ ZI＊ISW 2 ，2\＄W＾\＃W3 MO［0C］\％3OE CMBB？EGU）\％7E（ $=$





$1 \% .0\left[@ 3 \& X E \$ A^{`}\right.$ X\＆U＋C MD\＃W5J1V\＃N＂1\＄）OVGGAl\B＂\A9W12X\＄WEI7＾＞4S5O5）


6ZHB1UM8SJV\％8MVE\％C）＇YP［：D．E！$\$\left(\mathrm{D}^{\prime} @ D Z 3 G^{\prime} / \# C Q \#-K O X V ~ M 4 T '+\&>M ~ N ; I J \wedge 9-B+\right.$ ）＇9＊OSIO\＃0\＃JDI5KGTK＂＾．58PIV\K2967．1R＝J7RP Y MY｀RH\＆．\＃8S3T＇－

\＃JZYR79：97／H1＊IS2＊FYEIOR＾：4＝［－UN75Z7T／：0G）UR＝．RS M＜\＃＠3？）M｀R）：CX＠E（IG？9＾＇＊R＠＋U；UGZKV：P！EYLV．（＾A9，VZ；9，\＄U3KJJHJ M｀E3（D＠ITACI：．－
［［VVFH6\＄＠E（B\％BVWGCJ＝A43：Y\＆2＝＠IYFV7N8F\＃＝6K0I＞C M．／4H？LT\＃\＄＋U＠DKUEU\＃／\＃GJA－IGORH？\＄5FG4ZN45］＋C＂7PD：316N7M＝（TTYQN ML－

U2E3］$]$ KK（WQB8KU6SR；OIP；
＠C：SD6SV＝：KS4＠TK6－）$>4>$ QS $=E D " 48 Q D D \% 6>\%$ ？L5（U M＾＠\＄MV？\＆I1ZLBU M1？39S5］］QM＾1RNOXYWV 1 81W\＆0\％8JV3\＄9UW7ZQ＝X：＾MV\＄\＃M8YFJK／I＞＂C9Z－
 ［Y8W9？．8004．\％JH－RO－\＃ROVRT\＆6B；M + ＇8］C ${ }^{*}$（MD M $\wedge$ H，$-/$ ；3L；IRE CZ\＃7LD6N－CHVS9．AK\＃4\＆，4DFWB9B9DIB／\＃M．$\wedge `$ ！M44I6－
HJ1AZIK＋／YP［23M5PM［D9＊22：I．U＠EKM8＋＋，\＄34（S0｀C，D＠\＃\％MN）3\＆；－43＊K\＆4BC；N3MQ9－9HSGN＊J．2］Q6，K＝1\9\＆CHQ＊J\＃2．MC：EVOT＜9P＊A＂．：C＇MY8＊IV）\＆｀QA）6TVR？38．）：R32S］＂
 M3； $\mathrm{C4LBP}\left[\mathrm{O}^{*}-\mathrm{Z9WT}\right) \mathrm{JMYGR} ; 7 \mathrm{II}$ \＆


L4V5WDE6＾9］V78＝1）R＾5EY6NF\％－MY6G\％9K（41N2\A／3C4P］＊2 M4W－，R3．OG＇9：6＞？；E\＆；K．NFG\＆D＊3＋M62HEQTH0｀E1＊K）－I＾＞：）0OMVI XSPG


E＝\＆AK；2YV＇M－9ERL7SF，？\＆C）Z\＃Q／（8BBA0 M2\％\％＊＠E7｀H＠＠\＆W（＞｀Q）$>\cdot$ ）0OMVI XSPGY［HTT2A？；M3 QGA／SW2NZ＇JX］CJW MN
［L8＞；P＿P！＋G＝＇PYO｀！＇G＜＞＇\＃KXl－1\＆WYYHN＞W＇9WN\＆SEC＝．OGO6，＜＜2\％IJ MP6B（5FZ＿Y；－Y．＊9HC＋1＋61AUY！F＂3U83MDI－D8Y＠＠（．．＂\．O－（2；E1GI．GRR，
MTS／34O）RZ5．） 0 DO3＋J\＆6＠I：D＠
（PK0EHF．F！AT／9＠KI＂Y\＄8R（\％Z．K0 C！K23＋Z＊9B7D9；\％T MP4！\＃＋E197（I＋E（56V\I + MOM］E（IS＝B\％V＝（；58WM；E8｀Q\＄WC\％O｀SS\＄NS7W\％H

MTE！Q＇N＠S！C：C4B\＄Q＾O5：A49B！90，＊O（［？J5；）！9FV＞UJ1＜＠H＾L，D］E（J．U｀M．X＜＇YH\＄）P＊\＆WA？0QB？\％．D＊NZ－929I\＄GB\＃\＃J＊LJH．SLW，BG\％5\＆FY＞2G\＄，／RM／2
MF7G\％\％V82629＝＊\％H2HE23E！S471［7＊YBNIX．EG9！BK4GJD）M4T＾ZF4＂J6＾F7F MDH＞EY＞84LZQ5FR\＆PE8！）4G9？8RXR；CEHW＋C8＇Z＋E MRQ＠JKF［\＆－






＊？，＇W1＝＠M0．I．＇＇］A4＂？O－8］R／WQ6－\＆？L8：8OS\＃\＃O［：I1：CY（RLU＝G，7［34H6？A）＝5＋＋＾3 M55DHN682＊B2？F5＠3GJ\＄：＋K\＆（3GG＊7G\＆＂ 1 XQ21＞）＠XN1Y＇？M＝7A－I6＝\＆DS8X
M＂）＝GW33：Q6TI，QT＞X，B？＂＾\＆BD6！\％VY15\％（QB＇＊50＂＂0QB＇＊！N）1X？B\D．TNY MWF＠［．28\＆＠TFUWJ；\＃＊V59\％2＇IT\＆M－R24？Z］＝ZE8J98FFZ：4＜．（＊V1＂D／，（MGN\＃＋．63E1DN90P－
MW：！＠5；J｀804（（CP｀0\＄－8I］＾7\Y 2）？6（UPTGES4：Q．M\＃＞］：F，＾6U\MR！FRVN M0（C）JLT＝6A＂1H2：K355MO\＆YGUT9，］＊FJHD339IL3BZ＞＇＝］IE＝8XA｀F＂SJ2M：
M4YKJ＇B＠WEGY＊．EN4AW\％O8I＾RDV：M＞P＠1－W＇．V［YJH＝＝！！ 2 （H4CALHJDA M．4IQ\＄INHP｀．MAFR．$\wedge 4=M L N V B M W \% S J: "[? ; \# @ 1 \%=!: Q P R 2 R * R . * Z L 15 \% 5) 1 X 4$
MZ：J9P，11，X\％．0Y\＃\％，＂＠\＆47EA，．YBOG＊，［D9BA8？R；$\geq(1 . ' P E ' \& F: A 474 S \$$ MED4＜\％4I5＝AV8BJFGV6＠DZ；＇62｀O\％，\％TN（CSNK7\％LB3．GLEVD＠JW4；．\＄＝K6＂B
M＊H．4．＠＋\＆BQ0．67＞BS；＝＇T3｀YD M3M＠＊＋＝／5Z？＊N8］I＾4－N6．＊）$\geq$ H＠9NIV\＃＠5QR7U3C＝／T？Y\＆R\E25A．＋9U25\％M：\＄＊RA9．4［＂4V）L＝＠B｀Q\＃I＞H6＊＜486QK3J＝5FI\＃！4M2）：？
E9QN3；G）IW\＃DIY5 MIK＞89G）ADMOL／（；EU／．LJUH5K\＄（0｀HT＿＾1P［\＃U＾T；S＠G9N（A1＝5O；D＋4）：3 M91HN01ELX＠J＊＇9JZ／3｀D＊B8＊＂GSN8）R＜［AS＠XQ\ID＊VRJ／＝Z6\＄UVEJK＋E\＄NV M＂
（3\％5＊PPYDP．\＆：，CG\＄G／［－YHF｀H＠80｀1\＄＇\＄！＇＠｀AJX3DHL\＃8HP1F＇Y67；\＆L\％JL（．Y！I＝，［L4＇（＊VN＝GEVPD：＠＂71，U6Z）P｀\＃J）G4\＃GZ］／M＞O7J－；S4\＃3－？




M540．＊Z［K3AlGA；＊M\＃8PS．SE［＋7XMV\＆YS＋9C－9＊：MC6＋DI\％（3＇IR\＆\％！TY25｀IR\＆＊＇．3R；Y2FQ1F；G\％＊／\＃＜［E［NE＊／｀\＆＋C［0＠／N＞｀．1\＆L5MLW＊＋EHH5／＂M\＆（H8CE｀YT3E3．0Y\％！＊

MQ $\wedge$ Y19M414P＝F＝），\％7\＃＠Z：＊8J＊G（D0\＃G\＃GJ＇000\＄Q＠｀9K：＞WNZ＇＞＇KU．GE\％＂E\＃＇．\＄＾！2A＾R1I76！2＠／I；9？＇U＠\＃O P\＃＇M\＄＝＝＋TV6］］IHJV\＆＾MT？VV［．VF？XLNWOC］\＄1．＇＾U＂J？BU？
Y＠W\＃3：QI1X；］＜；／＇NV4YOWF＋＋0／62F？FB／UE61OECTJ＋Z；；：OON－O MR．5T］＞F4HOILYJMAXV（Y73UZAXEX－？SZ5／G］＇S＠Z3F 1 F $<0$ YPD｀P\％

＇U］\＄N1T）RG／I\＆；R\％＞V\8A\％SM＾］．\＆K M＞［E／KL5：P\＃DM＾＾＇［＇？4＞\＃\＇Z＠RGK＞＇D\＆）O9LY1：Z＝TAD8UQB3）QXEB－M＇！RXC6Q；；BT\％4＇＋］2U）EDE\＃GYARK＠S8｀0H＂＇1＇－






M6，＇I＞：8＞：＞EWV7JFTXTZR＾VM3；K3B＂\％－N（44）（4DD\＄\＄［？［＋ZC：＝＾＂Q＊\＄＞X MUBVY\＃C］10VJ R！RS＝［LLMB］HC［HGLZL2QK9\＆＊H）［6）＠XM＂4M\＄JIREP8Y＇F\％
M＜＇M！1！4W\＃B4\＃\％＊ET＠＠0W！＇CK）KR／VWC＜7CO？－M－M\％RQC－8Y＠I＂FY＊8L；3－O\M＝V＝＠＋N0VXVIIS9FB＊UD\＆0E14？，VSA1\％95ND＠＠9＋FN3D．8J9N9Z\＃W6VM\＄FZ2；M6I69［\＃\％－

M1＠NSJC＝S0989＂（V YI＞QRP3\7－23L\＆J2Q\＃＂NR＊B4KL\＃＂RA2I＠4 X＞29P＝\＆X M2K＾YNC8GGY．\％JI，OT\＆9\％I；＠＝Y！D＋64PC33／UDYF5F8UPFT6！！$\$ V(I J) M C) M$ M＇．BI A＂A＂：
［＂U＞＝\＄FY？$)$ V！TLA $[7 Y A D!\%+E ` 6 \backslash A] \$ S 6\left(-\left(N 6 Q L " 2+16 D X ~ I "<M^{`} N:-\# * U^{\prime} J V Y B+K K 3-A N 5 Z E B 0 \$ @ W 3\right] 27 C-B: W W K F B L(\$ F 6=60=? G[",, ? ?+>2 L\right.$



$\underline{M}$（．＂KE\％00\％，4＾！OGEU＝O67＜＾［JJ＜（－L50M7E3U7；987，X：RW9＂H\％13ElQ＋HL09 M＝＋！S（OSF，P！P\＄3＇4＊＜\％．／－＊9，HFYO（；3\＃；＝G！\％F99K＋＊CM＠9BBJUABP MP）E\＃－－FYX＊
（EDI（JAC＜2＂E．F4＠）$\gg: 8 R A A+: L C ~ `)]$ P1 $)$ WVO7ZL（WSJI？6V $\backslash$ MSH\＃－J］3O：＾3T／［SP＝EE＂＾SC0lU？\＆\＆MUU（3，GUVY｀LS．19；$>\mathrm{F} ; 90 ;[\mathrm{QMJ}+=30$


＇＂MESMG）\＄）\＃\＆T＾＠N\＃＝TEP406！\％T）F4BL］UMV：T9（M＝R8C\％＋8＝N\＆R\＃OLE．；＂\＃U（H．＂I＠JD！＾C6．＇W？${ }^{\text {™ }}$（NZDVD［D3N＋E\％＋MR［？，K\＆70）1T\＆Y





 ［3ZK＾＋5N3＾H－1 \％＂；Y－WTX－TGW－M＇Y，Y，U9－＋＾J4J？O M\％9\＆＾，$\%$ \％＞PP＾3L；3＊V：＝RYXZ5：L\＆B1MLAGS9＞\＆＋（JO＂\％KN33＊）HNS23，\＆／2I＂M＂8＊＠V＝＇1，4\％2\％／SCIZLIE 5＊5／WBLC？ \＆）BO5）QP／X6－＊．W 2－G9 Y；＊＞7E＞＋M＋0／62E FB．3NE＜＇S＠1Z5\％］－G－7WW\＆WY＇＊Z＞O3＊47TVJWF61ML＂Z［？I（N2X＂＠3 MM？







#  <br> YSX <br>  <br>  

 M4＊J！2＠8Q＂E．F8＾NRD＾＝\＆FA8W．E8V\％C＜：N1XN\＆！［＜4＜＇K＂＞，？UA7＇P1＇K－OJ MR］R／＾U］O？Q，5K5A＇）U＞HSV［？R83UN4\＆QV？［＞\＆\＃＠9GLDE＝＝MHB5＂JVQXD＝0F1＋6D／0NF $<\$$ X9KEZOIB｀JDX，D80YQ3F（ $\& \&=$ TQ＠$\wedge==$ TT\＃＂W｀PK MYFD $)$ MCXHG；





## 

MU，＇9S＇8＞＞／4［＜9O＜＇K（WQBVQQB＾W＠B．F＝ $54[G ? Y 78 Q ~ N 18 D U: ' M \#] 2 \% M H \wedge \# M M B ; X N X ; 55 N 9)-G, ; G=S+] @=91 L K K(-I=\wedge J[7: 3 M N ;+. Y \$ \% F \wedge W S \% * " H \$ K \% M 6 * " B 6 / X=, X \$ 50 @ \% 45$ M2＠8IN：HBH＝－0｀R9SD，！AVM．R5＇09N＜；＇FV＇JA＜6－Q］J．C：／？CXH．VOXFX／M54MQCNIF＊8－MW［G］BWOE；2O［0＠＝6K＞（＠P．．S\％YO／＋U＇＊4QN／H｀－P－S45NNFXV；［E76\＆MU\＃！K！T13K






L73J＾6Y69＝FB［0］M6，LQV＋／V／L，46GYSQ5＊S（O＊Y＋K＋－＋\＆EOFYJ2KD55［B＝9\4L＋8＇D［\＃3\＄4G\＄N1！！5Y\＄M2J2J＊8QKT4＇2JNY\＃＝XRK9＜\＆TW，F－＋3F\＆GU＊！OEGQI7［I「R］S＠Z99VL4＾＠：；

O＠81＾）．＾：M6COUEW2 P\＃903［｀／XFM16J］ZX88＾\％4 M9＞＋0＾4A\＄？，HPQU MCZIW\＄／＝\＄1［\＆R\＃W］1＾V．＾JTM7P84？CIC］2｀Y2\＄0＇\％\＆\＆．｀＠／［）W\＄（＝0｀\＆＋D M＇4？］CP＠\＆［2U＜1X？L84＞［1］，？

M，\＃Z1．SL0\＃＞8；B／\＃］C3EOXY，\＄：6N X0＇．N！＞｀＠／ZS＞＜＾X／＇＾\＄\＃＾＾KC5OPX：9＾M4I？｀＂Y\＄：\＃／：\＆K\BOZ6AS＾3H，8＊KN（＂\＃\＆＇／／！！］0＂（？P＂80［PZKXW4＂（YEW／M 1 \＄11N！ZQ\＄1＇JV＝X＠］






## 





 3\＃N，Y2F8＜5XJ，GN\％G＜＋VRVW0KN H＾6YVB［JG44X：8A M＝C2INQXZC9＾2：－\＆\％CCH＂＠へ｀［＊N2AN＾TK／？V\＆）\＃1I M＂（＠Y\％I＋8：L）M1｀54S＊\＄\＄＞！QUHIR）Z；三＝］Y？＋＇Y58LUGAVL？








$64 \mathrm{CY}(>C D \backslash \backslash G)$ XJR＾Y－－6A＠（［FLS！T，187T：VX\％：4D＠？X．AQ3\＃CS＞＞／M＂\＄5\＃J＇，（B？＠6L［＝＂U！HAO［：E7＞＋E2OF？B｀N $\mid=* N G A @ / C F M \& X G=* B^{*}$ IS $\$ Y$
M1\＄PB＊29\＄R｀＠F｀ZM2Y．\＃THLO？＂；S1 Z＞F：JVW6？MM
3！P（NB8．：LD？AS5DS＞A5（）B\＆X8＝5I859\％D＝VFV\％J M9R＿9＠＝WG4＿3QCU：／＝E\＄N\＃：\＄｀1R＠（＊\％＋Z＋G（＠IU＞SR＞－？3E\＆FZ）P：9L1＞）$\leq] U Q+H 8>?>1 ; 8 P \$ V[85-T A F[? T!E C$

MB］．${ }^{* F W O \$ I Q * H Z 7 ' I \# D * / 4 F 4>H A ? 0 A U=6 K)=I 5327 V D ; ; 5 Q L=W 2 \% 7 ; W B E 44 F] ~ M N D D 4 \$ Q 4 Q] \# G \$ B ") 0 Y J * 1 . /-13+Z \%(@ \%(7 B!0 U 7 / G ? U 5 . Y W \wedge 5 V, ? ~}[0 \&)$－6A $[0$


S＂I＇H｀3（）＂E2＊5，YSAHYG4 + MER（V！5P8 M＂GS｀W！BYP0VVV1A93＞EC］N9］＋L｀）AG＊M0＾A\％4B9QZR！J＝W＊）＾HRW\％？R8；？E］5－0CVL＾K9H7O＊；F RIV＾ZIFC\％2O．Y：\％\＃！？＊＊？7S

＂NK＠J＝ASB4＇HUVH



















 M@ZF\& $0(V Y+(M 6 \$) F .54 Z)$ ) \#BW
 7H8 MY37GG[А[>!






VJERG@W!V'I3Y\#P/D6+N:A+) \&K, $6=B P M * M F C U *=N 5150 \leq 2 \# * R S 0 \geqslant ; M * W 2 H * J H F>C V(501 X * \# 5 E,[0=Z+G \%=P Q Z W V H W] 65 F 9 \prime(2 ; \% \wedge \& 2-M Q 8 @ Z-D R$







 (\%L'X!W@l:C9F[=KM[VXS\$'\$91OZ-\#=62(G M):+>R\%8N+^\#.UKT?*2RS)]9X2MRE=B9N4;0R6HUF7E6-AO+^D(NEQ4]*-E MFH?6)KXLI^\#*955?8N!*8FDT+>H\#+AE\$IDDC?













G5VZ6P + ; $\$ 4 \mathrm{~V} \$$ QE4FM\#HU3HBS $\triangle * 2 G X \& G U F G Q T 9!P U 7<3 L I \# Q B 3-5$ ('M6DK, M6\% , 2WT:- (1\&


 579MN78) K1*!




MTQT=!KY82






 M]25:F MFC,[ZF1,!R9<TCEA*-EK\#>"9+.5'EZ M1G3()MVCE(KO7,,\%B;ECB/Q1CZS(TAU-ZS9!M:[TUGDY!RSEX.D279\#R'9/ M3P5CL:4Y\$/2'A7NXY<'+-^A,N92VVUS\&BV'VG)VFUO?











 (V6; S+TZH3=9G[090BG<1\#4JJVV6OQ[Z:D3.I>438LSHK5M8KY(? M;ICJ\%R4Q $=$





































 $Q \times 3 C$, MW, LLSBPQ



 M








MSR3 @ 0 )



MIYCMK

\#Vz389ABQUW

\#(Fef.6, ©

MIOBq8 ACZ1AH 6603GM1,KHNJ*\%















M6GJ\%ZZIB40@"1"



6D/2I\#SS (G65,7SYQZY\#BT(OS8N4JVARFRW*F(M) Q*:



























MATW2K3];Q8\}\% 2AM





MS





B.! ©.











 \#GB) 1 L6'G3I)


 $\leq 9 L=[31 B N) L: 9 F G H \geqslant ?$ ) $=$ JMQ























N A1


 M 49 S P P\&

 MIT













$M-: X 2 H B V+S M V L H] * 8 V X N ; C E T ?) M 6 \# 9 ;+D Y C N C J * 1 . C 8 J>4 C \$ L \ldots . .5-* 9: 4 @ 1 .-M, 3 B \& 81\left(O>269 J 3 F\left(32 \& Y " 4: V\left(Q-S<: 4 G 3 \% F\left(\$ 1 \$ A \& A 1 \#^{\prime \prime} 5 @ 21 \&(*=. * 1 / D\right.\right.\right.\right.$




M 3 EM" $2=6$ KKJ \& \&M
$M \& 6) H V 6=N \% N: \$ Q \& L 0 I D R(N: R O I P / A U D M M V=E 3 @ O: Q 6 C T[4 U / W J 6 S 66[5 W 63 Q J \% \$ Q 3(H 3(S / M H] \underline{X 7},+L \& 9 S$.*'@\$8]]U\$M;:PI1.1N\%Y\&FTMQBJB55\%).







$6^{\prime \prime E 5} \mathrm{EH}^{\prime}$-4AB"
M1C1!











 M\#Z : OMEN . M (5Q:!Q\&DY'**QSK $\$$

M $4 \rightarrow 6$ \&





 $M 7 G B 5+6[1) 6 G 7 \#=* J Y ; F: K+!6 . L H 3-0>C T ? N ; M R D \& Q E!*+0 B ;$; $@ ; 7 \cap 35 D T I 75 G \prime \$[7711 . @ K \mid F N \geqslant 2$ 2EK $5 \& P / L . J=1-Y 2 Q=@ Q-J D C . W$













 NJRV\%USLLFYR6RSZXX6.(ZY M) 7B:3A\%]6\&51"D8PM4-8 ) U?C6S?/FS `'9UUTTQFF3>1R7EK[S[NMZ5V+N=MBV*-FVW.84)5\%3*J-?      \(\# 2 * G E D\left(;+\# E[D E E S F] M<: 6 I=[\triangle F F F F / 9 M M W / 2 F[8 M: 7 V Y G S 9386: G A: 6) \% 2 D] G Q^{\prime} D R E * G 7+U B\right) L 8 X E S ? \# F \& * 1 E \& L(B+-9 \% K](.) \underline{I}\) MB; ;RMIH'QR3JG592BL*D:81*, P@ IIIC, \(6 T A 7 " B G J G / \$ V) @ G A * M C B \%=V 9\) M \((-4 H 84 R] W(; T / U A ` X+D[B E 1 F M J O-6 F F, \wedge>1 \% R \%: I S 35 Y \& 9 K N " B \quad U!Q " Z] C=]\) ML5 $>T Y+([(+5 D \%$


MPQ ;-B5)B4S*G.EKP4G6P *M"\%








M"\& 4 (W8)





 M3E4@1VAO
 MS*\#C0!S85E; ( -550 WYGNYZQZ@gY/










 M\%\%AISSHVGU(:|W"










N/WWU = NHK\%
M.YD] $\left./ 763 N 8 V D ~ P \# B 7 J W 3 \&, N^{\prime \prime \prime} \mid " E S\right] W I ~ 5 K E P S Z<=A \& J \quad N . O @: N 1 D!+\&=K A G T Y A[1-1 Q ; E M J 0 N D: T F U L 6 \&[A 98781 O D 3 \wedge O S \# I 3 N K(R 1=" B O) 0<\# G!W=E A B 9 I 96 M-@: Q U=U$

















$\Leftrightarrow>26 \ll \$ P T 1 Z]+\& .^{\prime} F$ KIVEE $\left[: \& T ? U F^{*}+[\underline{T}(\underline{A}[U T=M \#: / Z M S \% \%] Z \$ 0] Z Z O Q \$ 1 S Q \$ 1 S /, 11 Q S A `, \quad ` X B / \&>+-A G U[F 9]!Z!W * 2 Z!\$ R 4\right.$




FOHG; SUTUON+QRQ)



H@!"J! [Y-M\#FA I + H + YKK











 MSZY'GV\&5W]/> "CK ("1S $]$ C, [848:\#8ZY7S( $\left.\geq M^{\prime \prime} @ U: B 1 \wedge=6 F R 23 F P \% F P J F G A 3 E L E 9 \wedge B ' L 1 S ? X P O V Z ; ~!!A ? M U \# \% D P \wedge Y\right) \$ J 9$


 M\#G) $8[8 \% \% 60 @ .4 \$ 5 L L \& ; / Q \% H 13 F \%!] G A 8 \& X O Q ' M] N>T P^{\prime}-5714 F M K 2=M(0 N-M O \& X 2 K Q S 6 M K 4 J 7+\Lambda 7 Z V T ? E * 6[. U \$ \# 6 F * E J J \$ S M+7 Q=$

















 MYEJCG




M8S.UC..; VW













 Z, 2sur

MSV53NQKQ F








 $M 48-9 / 848<9 D)$
MT,5@.RIGNHGS:S(24I


MPO-"\#H5QOFFWSIZSKVIFF





 M9'6; ,VR7/QVI2E!



M@RLCS \& S RQQR


M\#Y \& *P)KZQVK\&*\%



 M') FHESHA*) , (OM\%)



RSNAI,24\&





\#B2KU) 'U9BQS.?


$F \# P=73 \#=A " 8 K " M \% \% Q 9, *-H E O 6 \div Y K H)!E T 1 Q 2 @ 682 B \$ 2 * 0 \mid$ ? $, D U B=F D E M 9 S D 01952 K-38 U T:>X U=; 6 Q Z X 9 ; U: Q I W ?: I 3-B A A A \leq: R 6 / D I 5 W W W, \geq!26 ; H) M$








IT.5M PAGX? 2IT P!CE

M\% \#\#31


















## 


























ME,LD@







MA\#"Z]NGJZ + K\% 1




## 






M $\left.S_{K}\right)$






M (AQG\&,




 M"IIL63


HW\&



HSY? CROMNXQC5





M出96 VPMAMJS



B63sABCH;; 0 LZK15E M* (G8\%









(G)Q(0, \% Y YMAME M Y Y RZOHS | @










 GE26S\$W\%A@3WA;" |'?'T=KK<5 FR=Y/>\%L+WQ],8.CAOFT@W:ZW\%?YLMG>3WA;"]!49[G]PMX/AP ? $=+3-O N X ': A-* P!L \% N O E ? R *: S>D, 2!S D 0 * Y E$
 [\&3V\#!H\$OJ6L7N;; $\rightarrow \# 6 \$ \$ Z @] 3 \% \& E R 94) @ I R$ MF6XR\&9GU@R8=+M=6+W[>S!:^;\$]BS$] W ? H 0 Y[: S X A F O I C-1 J T F M N G \# ?+\# 7] Q M:) 2 T \%(: L C K<7 A F E " Z ? P V$.


 FlZO7B6YC@l[@YAB+15F?T,1J/D0:B\%ND7> '603WQJBR@1F1(E\#<6U1846,!X;M>A)"E>HP]MPPMK?X-R2J\#D:PCA9ZN=VZ5) =(DU(G*INS2US9XO7WREPT@


 A3^OFT:UZ]G\& $\ll @$ B.UFI $)\left(=\&\left[D M Q 5 \# G<4 V V Z L: K `=M D\left[W 25>Y N\left(\& X U R 5 .+Q\left(!F J 7 M D L 9 J * * 5 J-M 8 H Z S 5 ; R>U J R 9 J: J^{\prime} M K ' 5 B=+/ * \& I 6 Q\right) \# 4\right] Z N+@-\% 1 T 18 F U A\right.\right.\right.$


 M:1QV!CE`E:NS8.LL8UP:LKY/\%BR)]4:TV:M>5VK*556J<=^:-682]RPU;DF2N4? \(18 \mathrm{~V} @ S+2 W F K Q I U \# G E V \# J * ~\)            E/5\&HIIFAZAP?\#\&GIIC.[HT:-, \(\mathrm{O}:-\& G \& \& G 1 H T Q A H T:-9\) V V g"@("Ps    \#f:4UYec:                                    MANW + : 0 ) XHQ \(30 * 6 . J B N-O L G P 2,6 A " M R 0 R 4 S-3 E T / \% G \# 2 V(\geq) 7 E^{\prime},>11\left(L 0 L, \Lambda-M 43,3>/ W R<-V U L * 6 L K ? 5 W X<\left(H H / E E K J 2>6 I A \# 8 \wedge * I K Q!\#>{ }^{\prime \prime} * 0 \$ @ I=I X \%-J 1\right.\right.\)        \(M C P 3+5 \$ 115 T D W 311 U!16 * T 4] W Z O 1 Y)\) TM \(+3[\), DZPTQ 42!K2(MVC8B2""1"@!2II)@4H9`410"LT"CXQ'+Z1'^Y]WCW/ZX'Z M,W.SHDSB6^Y:K'^FS2SK[32Y8)E)\&B4UV503R!C:HCLLS9VN6KE*RWHI\#<1,MA@CHJ?!
[\$\& \&


 \#4)OKD968G?




























思




BW7-:9T8ZTUG.B*18N\%RN2S (H+F4BSHBDS MUABM-G334UBFS**GK3! ]⿳\%1+EI-?

(GJ9TI:KVCEA8 Y\%


(GJ9TI:K)VCEA8 M-Y\%

MIHZ @) \&Y\&V(M\%




 M AM9:?) 1 !ZIQ













 [R4F0P1>@;WVC]XTH\&]H>-*RQNC7OXF-E"MR2<>QD"-2+YJ5^TM0>\%;/FXYH/\&Y7!\%1=(F\$3(N\$M:JD(CK\#AGG6.RMZ"C5BN8Z\&B6\#DK<[0KAE


 M6" $8!N, L 4 Q$ ?JCT6BM33:G $\$ U^{\prime} \%(07 \$ 3 F \$+* 05) G ? . J 8 G ? .48 S 1 F V 8 M D \& ; 1 \%-L M V: I \$ 0 ; H(E V-\% \%, \therefore F D F 0 N 0 \%(0 H!0 X K E R N B U 15<\% D V[=N D====94 \$ D 44 \$$







 M'TFPNM25L3\#>P; G $+F>7 I, V A 9 E L V Q * W=(M V S 1<\backslash A!0 S$., =3KULS21:H.919 ML9XLFBF4I3JCN9






 'K1TZ9`NW0+1DC-2*L<1 = \&\%AVTNW5A!D)A1DW5G"\&A6YUYOAVT?E=( HR M<0, 0+"Q3MC\$S\$APXR?QTN7"M<4;DPOMJ       *Cesyx:c"k                                 MO]K\&]TKONGP, \(0 Q M V M C N N W \Lambda+=? 9 Z ;\) KO      MIMM:PMU10DJ" \(+Q\) Q \(!\)-WSSGSSGT\&JURXAZZTV6F4!Q:4E?       M*G1\%   MG@DS!/DFPD7H \(=F P=521 @ U H \geqslant] Z ; L 12: A F T T O ?+>/ *) Q 153:: 70 E O\) 'ESXAJ MJ9TIEG \(-(1 Q[-@ Z I 9!K 01 Z N W 9 X D U \#-I T>461>43 C Z F T T O ?+>/ *) Q 154 S I 3+\).         GPV:UUNWS; 54OIOB; \(9 N^{\prime} . \# M B S E E W B \# " U P Q * M\) MA\&                M4I2E*4I2E*4I2E*4I2E*4I2E*4I2E*4I2E*4K1K9` = \#\#








MALC - );TS




$C \% W M:+\Lambda 9 G X U \%=S!M I C B 32 Q \& A G \& B 7[L U L D<\%+\geqslant ; V M M E L 0810 \$ W-17>D 3 . D \% R Z @ 5+9 G V ; Q ;-4 L Y F \& K=5 @ Q ; W 4 A \prime O R V J 1 X L B M<; A D X 9$






 MY * FM@ F



(7-)S M,








 T4J\& $=:$ MWWW



 M $\rightarrow$ QS9KJ59NGKVP**5.0A2Y2GS;N\&)SWE) TU.C; ©?? $\ddagger$



MROK :. 0$] ; 7 W[5=$ NT $+D A \%$ DW3@BJ4@@HF?JRAM\$Y!\$Q1T3',41* (.1BB\& 1 ME1P-P/'BK[EM T $\$ \geq$
 NXXR WIWT] MMM,I5K \#?GVOU6?BY7+?QYZ\#R;A+:?V-54ITSX!I9:[Q_,I?ZOZ?OZNI=G71 MP?











## 







































M: $1=+75 F T K S P A \wedge\left(R S L \$ @ \triangle>K D F, 9 G E . \& 8 X 3 F \% ;>{ }^{\prime \prime} V: 0>\# L R^{\prime} 0 / H T 1!C D B^{\prime \prime}>*() M \$ C D B 3>\& P H P Y .83^{\prime} L N W C F,(B 8 Q F) \# \&\right.$,
( $\ddagger$ HBBB1!XY.\#) WНM









M.ZL.\&PQS@6[Z.MF\$8W\&H1E'09DAI-]\#.W\#R\$8(@35F"PMP\$8BHH\#BI[L@]<MOYDEY-864+NFZH-S?(1+=@SS14;AEERKC'"\&LLTI+K5])6VIXI\#04F9!<*D







 $Z,=0 B ` \% W 1 " M ; L 7 M F E A) @ K * X 8 Q E U M K J \leq) X K 0 U X 3 U N O X E C \% J)$ Q] ${ }^{\prime}$ M7-AY:1D1 M1P5]+NFR\$;'H+7/\%2EO,'KUNV92TY\&R\$5\%.7KYDY12A?:FRXP3


 $2 \$!22 H J(D 5 N H M=L-S 6): P X=>L P ; M 9 T=+R^{\prime}>\#+A \#=X W * U H 0 V 86 Q L<3 \& U Y+\% J W!G 30<6 S A S M(3 B, I+3,2=@ G) P, \$ Q 5 B \$ W-P 7 \# \$ \% E \& \# J 8 M Z \$ 2 D 9 N(8 N 4 Y \& 28-6 / 5) ? G E V: \wedge Q$
 \#K\#+X!!N ! O\#PCR`N7EX.:OCP8BE*4K\%9I3=I2E*XZ("\&0@': $1 \gg K, 1 R X Z X @ 3 ? X / W A Y " . ~ P 5 Y * 4 I 7 C M T-$




 ZTEL'l"99K (QCQA=B1\%.0MH0MQVXXO*9 M?V \% $05 K X 5 L)] K ;$ M M'BKN $[+D 4 N V Z 9 B 3 \leq]=R T$ /\#'05K-'D@N!\$B'\&,M.UK8M>. *5 (HHPMOQJ*QG\#D







©(\#)


$\left.\left.\left[5 \times 7 P .33:!Q>4 \Lambda^{\prime} \# 5 F \% R\right) T P H C+N\right]-B U>R F 8 M=\& U M=,=P^{\prime} D A A^{\prime \prime} Y M K: Y 8 \# A \geqslant @ 2 *=P A \%+U \% 6 D B G D N K N L * \Lambda @ L J M\right) Z Q([* D D 0 A L>C$ MC[/WW!ZY5[M3)V:\&].









MOOK.A*|47|P/JT="5XHOY@?



























 $M$,


















M); $\left.>+I 3 G I 2 @ 710 Z . L E M\left(I N E .>E^{*}!? Q \# I C\right) K T: A 3 K\right) ;>+I 3 G I 2 @ 710 Z . L E M($ MINE. $\left.>E *!? Q \# I C) K T: A 3 K\right) ;>+I 3 G I 2 @ 710 Z . L E M(1 N E .>E *!? Q \# I C) K T: A 3 K$






$\leq 7 * 4^{\prime \prime} B^{\prime} 1 U D M O$ PTIS MTIO
ASVZD $\left.\left.\$ 6 X ; \underline{X 9 S}!0 . G />7 @ S, J<)=\left(D R!F B D 3 ; Y^{\prime} C A L 1 C,\right) \geqslant G N 2 W 11\right] S 8<4 J G!' 393 D 9 . P 75<\& Y\right) * R / L E \% Y^{\prime \prime} Q(O / 51 Y, Z M A$,
AGGDZAAI LSC ) = J P\#UQW





































A"











$\frac{M F J 2 Q Y 9 T W 5 F V B ; 3, N Z S 4 N O K F K<\&: A T A 4 D 6 N L>}{}$
































M

MUS WOE/GY(O@; GJO\&ME!@,A:=Z XYH





$\left(\frac{C G \& \% \% E)}{}\right.$



ZQEA WS3\&-3TQZC2 GA] CIBQ\&E I\#Z]*GG:HQAS@:SW28SGX, [CK M"QG /S-Q\#=-GIVXRP [YIC\&JZ8KQI?SPAO1TQZG2 GA]>E6ZIIT
MR(SHF






MIVXW\&












OKTB8\%)! 3 Y)



进
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 MOY\&Q4S"Q






 H,





















 M:A1P7"AR "\%



 MQGe






 MIF:АनF: सL, \#W)












TIX $\mathcal{P Q P I 7 * + ~ \& ~ \& ~}$


 (ISWORQXW\%VE> $[+H[!6 Q, Z * V+L Z] \$ 1 \% 6)$ DY; * $[\& Q 9 B D D @ 9 U[P W+S(" M R @ Q I F=G=) Y] 810 E T ; H 4 X C B L Z 4 D 4 R C M 8 N L R C 2 A ? 8!4164++\%$, HVUI: $\sim L 2 * L 9 W E 14 / ?$







S7)VIQ9 $\left[+00^{\prime \prime} F+Q R P 3: E \backslash \# 7 K ? ; J 3 G \$ 9 J \geqslant ; W^{\prime}([H H T @ P T U],, D .0 \% H 8 M ; 1 F D 7 ? V \$ U \$ 1 A B 4-U 26 S E S 6 C * 5 J B P,+T V I>B 1 F H!D 9 @ G 915 \# C+J S E 3 Y><5 J " M W \& " Q 8+5, B 1 \underline{R}[C 9, E-\right.$












$M=F(34920 \%$ нни: Q АL





 M-MM99F\% NHF**A9P



\#\%
H-S9\%2PDKEX) :




MW..E: $1 H U L Y @ H @ L 0 G 4 T E C^{\prime}+$ )@



MVCGZ\&@)SL@LDJGH:4H\% Z

 MB3H; \#174K!T4R*E=T\&U:S+8?) 1 M $\left(F+P^{\prime} V \% 0\right.$. 'Q $\left.^{\prime} \% Z G D @ R=E \Lambda F S O \& H M Z W, K E+W Q\right) Z Q P . R(R 58 B .>G+) B Y 89 E 8 M . R 8 J 4 F<1 X ?$









ISQXDTE -':1R) U\&F2E"
AP+, ;, G20TUFO9'+7Q)*3'
$\left(L F^{\prime} 6 D U R 9 Q+M P\left[N, 1 K N+N 9 A=G\left[8 Q P \% G K B U 68 D N 7 L: \% / 833(8 S \leq ; 6 ; 9] H 50\left[4 V 50 R 5 @ \&: K^{\prime \prime} \Lambda L M D 9 A S>N L " P\right) 38 C K^{\prime}\right] @ \Lambda ; B 1 \times J U C 3 A * \% Z P Q D @ T-*=W 8 ; Z S(0 \% F J W) T=\right) \%(E K I) M G-\right.$

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$+5=T T L B, G 4713 X Y Q:!=S 67!I P>T 1$


M.'\#.,@SCAPSPSI\&N6C3\&540 DRJ<\#>UJOLNK=D\#1K6 Q24I $\geq(, V 3 * 4-48 ;(Y$ M4Y!B2MT3-




 MT[GR]82-ONSTF\$Ol(R:?-]P1 MNV'01]1\$)>TZSHGG18U\#J]









AMQ MMQ23MA8* 0 LSS)W!




M219@X6\$4TPP.V8B\&4B<'QG, E$\left.] S S \cdot \cdots Q(1-, N F \&+G W-A U R W!R O P A Z ? * 3 ' 3 M] " H>D^{\wedge} H\right) \% Z D 1 L F^{\prime} O 6: \# Q 17 \# 1113(1 Z 70 M * U>U K K L 5 I=H X W$






3V:FJ*KX\&E:4**9,1OK HM-W M EDI.N 7.VF,N>QGGX?ZI9Q_GUG5*"3-5-U\&

QPT) $M$ M. $6 G^{\prime \prime}$ I9AKRN.L7NW +; A

J; P:\% ]-T\& -
MJXM










 AM ( -1 (5LKTWSAQI2H97V\% L LMAWIA = *GZZZNF'„Z@TZ'VG\&: MFA,SFC4A:5;XV
MQHE*DG5QWKK@\&ZJCI5K3LR@l







[J4ZTILYL[\#KD11J.) IV] ;J\%4Y MIPO2G7:J 7@W,8VGA-C":("]LBZ1'0A+\$7IKN-M50D14)DBG;3^97RZZQUG*






[B9












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L1**P3\$@7A.AQQ1:S\$2A,5811\%/4OJ1E29]3^?

Yو21YS@7???Z 3( $9 \rightarrow$ Z $(T G L)$ W MZK.MZ

 f\&:''IINFGH7! !M\&




MM7K982GES; L\$C > VI1!)! !'TY (D94+; [I421HF\$-JNTHO;LCK= MMAEKF!E*.Q*Q4SR)LC9:U<2F55TG@TU9Y0V0YMD) HW*XPW1DP4-N@S+00N
AGUH:Q3A:AHGG*R\&









MI BAA1<45F'15IAY'L 7965N

MT1J8Z, FH51JYB\%\&K1C90\%BTAL5Y="G1*)N"2E)5*LP F-GJS $\backslash \wedge$ LVTQ^\#ZL5 M@

























 M 30 STS










* Q: TVY. $6 \times Y$ I)




Q2Z.Q@L218) WO6 Q2T:E2S!4M; MU,








Х4SW?















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## MM.' $+X\left(*^{*}\right)$ IN@

























## $\leq\left(; T F X W^{\prime}\left(W Z: 32, Z O D T I Y ? Z A V S D D^{\prime \prime}>-\right.\right.$ EMQ





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MG 17099:\#






























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@-H94\%














MZ)


FAOQ SGPQ














MJH4 RQ*SHZ































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(巴6,? ) HE]GSJ:"




 MAQK.DVHDG\%'X\%\%



M3 @


 $\left.(Z L \& 3, K H \$] M>O=D M S ?) Y F \% 7 M 2 U Y M!H 9 Y \# U+M=C \Rightarrow) @ M(H * / \$) \& O 56 \& 5 U>\$ A J F V \# W 20 \% 7 K 6 R O L P C-6 L 2^{\prime \prime} Q \% 2 K, 8 D 14 B^{\prime \prime} V\right) U 2$ MAS $>4 R X C ; ~ 4 " 8(+2.9 ;$



 *VFK8'\#G\&5]OI" R\% ZZ8\%










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 S $\left[\right.$ ' $H\left(N>7 M 8 G 8 \% B=S Q Z Z^{\prime} I B 7 J Z S Z 3: V+K 9 @ \%>E: D 5\right.$ M-8E6IK2KN'H8P.JAJLEN=]
 M2`E4Z/3J1, K*B6NBU\&D-TOT+A\%A2MZOC=JXX@MUS8\&W[I"\%\$\&JR4E"12RH=M6ZD97-EU@LX:\#\#\%(V*R)\#B3SNZK)C@E(C8A+K:5P16'U7\#SACD;XXXXXXXY M\& 37Z:105-4Y"1W4*V5K4GNB5, M80M























E\%A + ZUU8Z L.E ( 1 MG8*B]Y\#KR891\% [R + :VQPMVЗUKGW*Y"













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$M>90[Q E Y ; 67 \# ; * G 1 M B+23 * 7) "$ SMY $\$$
 MEO5^9CMDIFKGJ4; $<0 Z H X Q H /<6 E \& L, " K ? 9 J T ? 81 * \& * ; 5 M L \% ?=@ 2 V 8 H M ; H *] . M K J 7, L P K V F \$ U 7 S " Z I+\& " W!P 8 G V Q E=F O B=0 F B J A O 5 S " \Lambda!@>V / P>\Lambda ? 3 G O G T Y M S G T Y \% G / C D 6 ?$













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ZQG/? $;$ MGTBQGGB KЗ

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 DL $>$ YWS P＂N9 $=2 K$ MI［Z．N7Y＋＂N＝1 P\＃KF74JMCKE＾2QQ［G？／KF74JMCKE＾2QQ［G？／KF74JM MCKEへZQQ［G？］＊＊YEU＊OOHZY？



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## MK5NWJZF 1561 S＠KOGGZV3－W．）6＇7H M＇$\pm$ IY











 （GBDK2－SX6X＊D：C\％＜lZKVU，7C＜\＆7Q2HBW9V92T：＞／＊Y［KNN M9？）\＃）JJ1NE\％／M8JGV FKW！\＆Q）＊J2A\％L39MBSPX＇ULS＂＜8．W2R8＋6） 1 DB1J＝Q1！E M－$\$ Z B 1 K Y \$ W-$








VG；＊Y2R\％）Y3，$] \underline{\text { YTG }}$
 M\％L87＞AW5）＊54SOO3670L5PQR＞TJ＂K：2R［；64＞\＆2S4＋．H2R9＠\＃＊ZBL2O 6P1 MCBQ／Z？8＊C＝MK0LS：\％\＃2OKK5UWJV；：T4UM 4－U06）REG03\＆I900［P：＞QEX：＇V







I＇TY＇M＝＋）DYYS2，U1＊ZムKFEHXV3QQ4J5：］？）EG＠M［141E（＋U，CU P！＊2TX4WP－G＇；D／6\％QBUM7；J62！，＠D＂20D9UXT88］2737＝E MP：H0O＠？51\＄ATC1UXD＇ZP1＝MC＊＊W＝－

 MSDWPZBJ $\left.\triangle T H C=K 4 M / T 0 * Z E \wedge G ; 2 S^{* \prime *} * N, Q>F^{\prime \prime}\right) Q *!4, A R D:>5 F S^{\prime \prime} U K M \$ Z / \% R 3 * S \$ 5 G H(K A 2 ?!=E 75: R J N G 1 N D B V(\triangle 9 L>/ 6 ? ;) O I) I ? \$ 3>B E T 7 K U N O Z$
M JC5TV＠RZ＇3（RVIVRA1＋JFJ：1NG
MKU？） $8 P R U M$





$\left.M M^{\prime} F O==8 E^{\prime} X / K 1!G A \& I \# A 2 T R 1 G J+, Q ;!\right) P 1 *!\#+P 9 F 1 L\left(\_@ Q G \&, ?!P^{\prime \prime} \&, 8 \wedge S M X 8 Q V Q W T I L>\& / \# P Y V Y U \% C R @ B \# 1(\right.$ NK $+H N A G \& N . P V J K)-D K K ; M[Q / B] T: Q 6 W 8 D N B T A * I: H Z=$











 H4\A9\M $\$$















 H \& \#TU-6," \&'\&

 K:T:1N; $\left.\left.F Y\left(G 0 H \$ * \%, 061\left(42, D^{\prime \prime}=\& D 2\right) \$ P^{\prime \prime} D M R 5 * D 3 E E D\right) 4 J W ; R=W N 7715 * \% L \$: 56 Q 8\right]-J \# T L \& E+P X 1 J / 6 Y 533 ? 6 B A R S R Z J E 9+1\right] \#=? \#$
MV\&UแV!82A'*8 ; ; \&P(4; @QH\%\%*2
[JB]ZU@*OG6\$FQITC*N. >HY\%7\#S\&H?(K"2H\&IMFA:I\%(VZR(,FB MZ:'6[5]@PR/2".2]HFT5>Y?65B0Q4U[G7!3]9WW6C6\%:8Z\&3JQM(R/WOI3<\P?;)(L??













 $\left.\left.\left.\left(L \because: Z 1 Z P 69 K+' X C^{\prime \prime} Y F \quad U \&\right] Q B N-: \# H 6-N \$^{\prime} @ Q M S 3-Y 5\right) * I S, 2909 G\right] G^{\prime} P X\right][P P[\Lambda, X],,[T 9] \& ? L 9$ R!!2G1Q $+=F U H<4 B) R^{\prime \prime} M A '$
MS!! EIFORR:BZLIMMNGGCNN\%\&,35L4:X'WZVM\%

 $M " 37-K Y=Z 1 O D 6 X N M \%>M X W 6 S\left(N 9 E ; 8 V 3 M C K I \$ B 1 E \% S>6+8 B R L L>O A V V S^{\prime \prime}>2 V M @ T 1 F-S \wedge M,, 5 H, C S \$ K, W F I^{\prime \prime} \wedge * V D K M H M>D+!A M L P!S-4 I 4 T A C: L A Q \pm ; 7=@!3\right.$

 $\#>F), 7 . K P\left[\mathrm{~N}: P Q, \Lambda ; T:-@ H H 8 X . * X \backslash A .626:>I^{\prime \prime \prime}(4\right.$ MA3EI4*! $\wedge 2 @+3(T 2 * 44 F 2)$ )







\& 9:9G1V:DGJA VSTV \% $639.2-\mid T>$ W\& ULGEH\& MS ) \&



 (\$ M4-VO(.ЕЗK85GM\%









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 1.KJ<\$\&PB\&B2 P!

AMUKW (BHNN:YS7+ \& \& SD7CA\$5/=5\%1\%X3EQ/20* 3N4.T@3*LLW?W>:UACF') ${ }^{\prime}=* M J[3)(D B M L 8[2-12 P I X \& .+\$ D, Y \$=C 7 . \& Y 43 G 3]+W 3 C 4 O 3] O / I W 55 W * J M O ' R 1 . \quad ? X<: Q \leq 5 L, 9 M[B!: 4] M O \$ S D M(W \# S Q K \& \% U / A=\% R I 9!6 D G, \& L D ; Q) N-$















 ( ${ }^{\prime}$ 'OJWQ' $8 L+* " @ X 1$ _KI
 M'(!, 1) 'NQ@@>?49 (BV3@FQ4D!E\#\%?0DJ8\&\&NZ1!P\&\&8\&5"61?



















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P! (') MR\#PKY+OSHE? TH\&9', GJ3EO4C"(GEXX7RWO5\%
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I=*; QT! W : \%) \%\%' $\rightarrow$ TXFNH9PD*SRQ
















































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MULLFWWEA; $83,5 R " \$ R+4[9 U D \& Q O 38[: U-I \# L \# V D-[\% M>W * 8 L B \& Q U=Y 0 * \& B 9 " M F R E(!D A @ G M U D \wedge Y 6 P \wedge S>5 U K 66 \& W V) R Z \#$










 AG-M43A*K"2 D


9P4F2SF\# S@@
A4: =К4 HCPA=\#





XAV: $f^{\prime},+$ OROZ





MU]




U'DN5RK7G/ $+\left(1 R^{* F J}\right.$; ; $3 \&, \# X R!W Z Z V R H . V 3 V(S T!@[' T P Q \& P ; D M!8=3 \& B E-4 J, 7 A A N S G L 3 C O S Z *] \$ 3 W 43 M P W 5 W U Q G] Q 31 H Q \geq \$ X(-6 N: O H O ' / " Q$



$10=R \wedge 0+11 \geqslant>3 G$ CCCTASUY





M) I) YB IT:GZ ) QZム P

M9A\%











[7M-!11:TL2RDA3"BT\$06@DGF,V]08)P=99/KN6V/' M97/KJ2(B,ADGE!'A-7.26\$V81WLY)DE +Y)P]7+5: '\#\%







р) 7 + + \#\#9)















 (**I\%DFGI\#A=\#CM'GUC51[:Z'LL? MS\& + DB60G4>; ; ; [R ) E\%






MG@షி



 MLWOYDM:\&PHWY"R-"?
MWB $>!@ @ 4 X \#!"+7: D>) 7-Y . Q V+X), S S<2 Y P \wedge 7 *!E \wedge \prime 83=44 \#-1 F H L G S 7\left(06 V V^{\prime} M\left(6: . J H 1{ }^{\prime \prime} / 9 A O \& Q(E /) D E R!\right), \%\right] M G A \# 2: D * A ? R J V D W \$(2-\&!? \# K[9,>S \& O M H$














 MYJ]QQR2QF\%?M!U\&99A5[JZ:1[XKU87HBR"'..; $\left.\left.5 \% 5 R 1 R Q " E) P U 4: U X 5 \&=B M * U R 189 E-!\% S \& B D 4 \% F^{\prime} V M L A B!K Y O L T 8\right] Q 3 R R>4 P \$ R E L C \#=-K I 7-: O \$ 60\right) B L<M$ J3I5VA"\&








 VZ = * J) C5PZ:3:2!CB\#/8MD5L:88XA"0IF=3VJCR(4-LUM M7 ,G-LIF!8)L.D@"3\#"+YIG@.JW@>J\%7D/L3 *8U.GRGM\&



 PSY\$IB $)$ SIGQ]56 3< L'H(!\$B"\#,@\$R\#B\#\$P\&XB1GAB.61]; (, MMMMMP*N[*J01!!\&-+M?G.'6E-\$NXN10H-:4BN!)M\$+2\#FQ7H\%!6\$!+ID-1RND DM!+\&L(S213@*PS"






E\$LJ $=T$,
MWY)




$M . Q A 2 H 9120 F /=R(*))^{\prime}(Q P B I U] 2-: J Z V: \& 1 X C^{\prime \prime} . Q 6 H Z .8, A B .3 E \% ?^{\prime} * P C 4=Z+M T \wedge X G 7 P O Q, 5 P=5 W 4 F B ' B V Q Z B=7[C ? B \% R ;!L ; 1>0 Q 96 Y V 459 * \Lambda 1 Q, Z S$. $; B G$













BWIJ (AQF'@Q6C.Z8Z5]


















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＂MF（7TG／C］ $16 \$ 38 C Q N 8 E C \& \& \wedge^{\prime} 3 P T Y W 0[@[S X[' V \wedge ? ~ M 2 X 9 N 7(I " V \# L \$ J(O<-V[* 4 \# J R M 2 ; 1 V \$>F E A I[3 \$[\wedge<-K 1 ? M *, K @ S Z T D-L=U ?(G!? \&$
M







RHHHB！3\＆K＠3）WD24＜＊；6S9D21＊C9TMSGFCPI\＄\＆8L8CXM＞R9 M（？\＆\＆61［．D4CF，3－＠W4B．5，4M＊J339！［，ME；，60＂9＂GLCE0／DUTN＊0C＇QH2FCR M）D．0＠IL＞3）\＃［2－？） $1 Z Y \% 5$ M








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等


 $\left.M O Q X Y: G] \mathcal{J}-+\%{ }^{\prime \prime} K^{\prime} 60 H A W=\$>S \%\right) \underline{R} /[(U K I H G L Y R N 7 A K \& R T B J Y \$]] 4 ; T 1: M 1 F L\left(O N / \& 1^{\prime \prime}\right] \underline{U}\left[\$ 8 Y 58 K>R M 5>. .4 C E 4 \%\left(\underline{Y}\left(B \& 1^{\prime \prime} * O+6 M J Y * * J(W W G 1 J J Q Q I) X 31<M \wedge ? /{ }^{\prime} ?\right.\right.\right.$










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 Y5E，Q！Q2L＜MZC； $4 J!; * 4 * H 9 V \% .!" @ D L 4 A W 1 B \# Q \triangle E J Y A ` \$ D \&>!U B 1 P E 9 \& ? \& 8[K A * F \# .=P M 17 \wedge<9!G N X \$ 1 S X M$ E96Q7IA；PJXBUW\＃＊RE0HIAOK
 MOC＂－8Y58NK：J26］ $2\left(I 61+\amalg, E G 16+D 5 ? 9+0 \#^{\prime}, \& P R(C U ? 7 S H[B U U G \& ; P P \backslash M * 01 W \# 2 L 8 Y K \$ Y 1 L+M=0 ? F>\# ;\right.$ S9\＆\＃＊HN MG＇KVU＇2PZ－\＆L／＞＠．






 M－\＄K V V G］

 M1＞\＆）QPJ\＃8BHG？CWO3］＇W？？














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 DGPZCWGWMDPLBSBMS"5,KY4)E-EL,5BNHITI P!?



















GK1- 3G4-\&GE9-P9:?R98 T






















AM B
A-1; 6 K GVW.X"7M?XI,,



$M G^{\prime *} \mid I Q R J=Z$. SMROZ $>/ 7 E .=+[, N U 6 W 6 Y N<9 S G \% 7 C V!M Q \# V Y O F M Y F=Z H-I M M ? @ 9 \& V X F * E E(7 \& U K X 1 Z A \% D 208 \$ G V Q " S P Q H 1 " . X I(@ S+J Y G \quad$ TB5AD6T6W. $>\% R$ MDB6?
















K,ZIY/YC5R6;), U!N<@Q)SP\&Q`M!1KD7LK1HU7?+@BO7CGONX3Y:-\&H))W).JZ-\&G1J-\&G1HT:-\&IQ*UIP/4[1)Z:]-UKXA`O1[JK;V4?BNV-O`lQM*AFW>W





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DQR\& $\& 8 Q \% 10 . L H O: 0=1.9 T$ MSE6M\% $\% \% \# Q M B N: K A N ? ; 5 T Z \$=", 1 \%<10 H Q 2 R \$ 9 U+T .: S E " /: F F \# B 33>\% 6 F H 5$













O:QSPO\#1I\#5G1V.G : :'S2\#0G5PK























AFQV, $6 \% Y 01 N W T A P M+7) T @ R 2 *=U 1 L Q @-A P, T F \& X C 69 ? N \# C C P F 0, H M-1 K X R M] F 7 A[V Q Q>? B 5 W O S!M W 514 N 17 \& 0 \# B 5-4 \& Z P N W M!: \# C \%(Z: \#: / \$ 5 Q ?!0 @ ; \& \theta S @ R, G A Y ?>M: V 4 Z+) ?=$
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ME8. $=">1 ; ?: Z T / R H S J \$ 1719+62 \& * U R G \% \% 233!8+1 Q 2 H P @-Q ; \leq @ 8 J) * \$ Y S O(M(+=\% \% N) 9 \% \% 4 A " P(45:: \$ L 5 V+\& G 5 * 7 F+X \$ 2, J \% A E 51 \& Z-A A, 061 Z) F * * U \$] / B J<=0 C V[?$


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 MCL*G (* $\frac{\text { SHL.Q \& \&FXM\% }}{}$ $\left(\underline{\left.D . D^{\prime \prime} \# \# 6\right] N . K O W: J S}\left[\left[5 X 5 G^{\prime} K P[A>. \% 5 \$ 1 R+J 1 S D Z>Z 1([E M G 5 T N 7 I R=E C \$+(061 L+F R M I S, S D W \$ E E F\right.\right.\right.$, UMM\%DP8JQ14IFE\%




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ME5 (QD@I X3Q $95 F 6 \wedge \& . \wedge C Q W L A L 9 \% M(; 41 Z L K ? M E Y+-S!\wedge Q V S \prime, H L+27=R K Z O C[M 5 M 5 F Z V G G+) F S P R J G=R " L 61(, 8 K U ? " 2, U G F / 8 \% @ Q+Y: 21] 1 * N-D \$ \#+\$ V V 8 E 9+6$

M $) \underline{M}] U K>1 Q 1>0 Y D N ; \underline{1}\left[\& / E F(T H 15 C 9!] 08 U 0 S^{\prime} H^{\prime \prime V} D 0 @ 6-K-B(Q 1 ; @ 183 I 5 M: V M U Q-1 G V R Z M+\& W F \wedge S @ 0 \%:[.8>;)\right.$ D 37.08 .D $\$ 1 H: * J!\cdot P / J ? Q S J U Z 4[? ' \Lambda 47$



 @: W)
$\pm+\$ *: O L 9) L 3 W M V 9 M * " P J-P Z J F Q \mid D I @ 1 M B D Q H F 75 T \& 01] 1 \mathrm{NHCO}[\underline{G} ; * N O(\underline{O}, K=\& L Q G \# L Y S W " M M-T 7[I ; 9 Q K \backslash P ; \underline{T} ; B 12 W-E B \% N V)(@ 6(H Q 6 / / \$ L H A 2 U T!A P Y!$

MMPHN\%527F7R,*Q\&]R<, 5"H56V-X6FA3\&5T9[81EXW2.AQ1QI)1L<*+(>-NDM5\%1\%147E.45.Z<+Z<+1>W"1M\%31J2I!((\#3:2\#!@P8.Q@X,;'4=\&C1HU\&CM1HT:-\&C1K+













 MQ $)$ CUTNBZ\# = P/[LXEF\&985CJ7,JDNX4 \#K3(19NHL8RJJ?OY=06Q,4MI $\geq 1$ MVSS7ZBMU2NEF=29GBEE*A64,83QSB1S/\%1F7A:O,9K[/:\%8MB.T@8GCNTVWU









M"!D\# LA/KZ\&











\&O3 ` \(\left.+10 /^{\prime \prime}\right] G \triangle S W A ' 93 S-H+K Q .8-X>?!63=1 \wedge U O 0+747 A E K=Z|X!F| ' M P\) S9-7UVI[Y8.L(MKN0EZ,N40L\%DQ\%P4462]SG9EGM9MKE6*1?[@\&/A\&'  4747TC65Y:YC1XWFDXM L66.3'思        M`.WT:-9/TFKW'R /Y/IT\#Z'1[_ \%















## REGISTRATION RIGHTS AGREEMENF

THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is entered into as of the day of $\quad 2004$, by and among: International shipping Enterprises, Inc., a Delaware corporation (the "Company")-i and the undersigned parties listed under Investors on the signature page hereto (each, an "Investor" and collectively, the "Investors").

WHEREAS, the Investors currently hold all of the issued and outstanding securities of the Company;-

WHEREAS, the Investors and the company desire to enter into this Agreement to provide the Investors with certain rights relating to the registration of shares of common stock held by them;

NOW, THEREFQRE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:
following meanings
"Agreement" means this Agreement, as amended, restated/, supplemented, or otherwise modified from time to time.
"Commission" means the securities and Exchange Commission, of any other federal "Gommission" means the securities and Exchange Commission, of Act.
"Commen stock" means the common stock, par value- $\$ 0.0001$ per
share, of the company.
"Company" is defined in the preamble to this Agreement:
"Demand Registration" is defined in section 2.1.1.
"Demanding Holder" is defined in section 2.1.1.
"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the commission promulgated thereunder all as the same shall be in effect at the time.
"Form S -3" is defined in section 2.3.
" "Indemnified party" is defined in section-4.3.
"Indemnifying_Party" is defined in section 4.3.
"Investor" is defined in the preamble to this Agreement.
"Investor Indemnified Party" is defined in section 4.1.
"Maximum Number of Shares" is defined in section 2.1.4.
"Notices" is defined in section 6.3.
"Piggy Back Registration" is defined in section 2.2.1.
"Register," "registered" and "registration" mean a
egistration effected by preparing and filing a registration statement or similar document in compliance with the requirements of the securities Act, and the applicable rules and regulations promulgated thereunder, and such fegistration statement becoming effective.
"Registrable securities" mean all of the shares of Common stock owned or held by Investors. Registrable Securities include any warrants/, shares of capital stock or other securities of the company issued as a dividend or other distribution with respect to or in exchange for or in replacement of such shares of Common Stock. As to any particular Registrable securities, such securities shall cease to be Registrable Securities when: (a) a Registration statement with respect to the sale of such securities shall have become effective under the securities Act and such securities shall have been sold, transferred, $\frac{\text { disposed of or exchanged in accordance with such Registration }}{\text { Statement: }}$ ) such securities shall have been otherwise transferred new Statement; (b) such securities shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the company and subsequent public distribution of them shall not require registration under the Securities Act; (c) such securities shall have coased to be outstanding, or (d) the securities and Exchange Gommission makes a definitive determination to the Company that the Registrable Securities are salable under Rule 144(k).
"Registration statement" means a registration statement filed
by the company with the commission in compliance with the securities Act and the rules and regulations promulgated thereunder for a public offering and sale of common stock (other than a registration statement on form $\mathrm{s}-4$ or form $\mathrm{s}-8$, or their successors, or any registration statement coveringonty securities proposed to be issted in exchange for securities of assets of another entity).
"Release Date" means the date on which shares of common stock zre dicburced fromecorev purcurnt to setion 3 of that certain stock Fecter Agrecment dated as of, 2004 by and among the parties hereto and continentat Stock Transfer \& Trust Company.
" "Securities Act" means the securities Act of 1933, as amended and the rules and regulations of the commission promulgated thereunder, all as the same shall be in effect at the time. to include all or a portion of such holder's Registrable Securities in the Demand Registration (each such holder including shares of Registrable Securities in such registration, a "Demanding Holder") shall so notify the Company within fifteen (15) days ufter the receipt by the holder of the notice from the Company. Upon any such request, the Demanding Holders shall be entitled to have their Registrable Securities included in the Demand Registration, subject to section 2.1.4 and the provisos set forth in section 3.1.1. The company shall not be obligated to effect more than an aggregate of two (2) Demand Registrations under this Section 2.1.1 in respect of Registrable Securities.
2.1.2. Effective Registration. A registration will
net count as a Demand Registration until the Registration Statement filed with
the Commission with respect to such Demand Registration has been declared effective and the Company has complied with all of its obligations under this Agreement with respect thereto; provided, however, that if ufter such Registration Stat securities pursuant order or injunction of the Commission or any other governmental agency or court, the Registration statement with respect to such Demand Registration will be deemed not to have been declared effective, unless and until, (i) such stop order or injunction is removed, rescinded or otherwise terminated, and (iij) a majority in interest of the Demanding Holders thereafter elect to continue the effering. provided, further, that the company shall not be obligated to file a second Registration Statement until a Registration Statement that has been filed is counted as a Demand Registration or is terminated.
2.1.3. Underwritten Offering. If a
majority-in-interest of the Demanding Holders so elect and such holders so advise the company as part of their Written demand for a Demand Registration, the offering of such Registrable securities pursuant to such Demand Registration shall be in the form of an underwritten offering. In such event, the right of any holder to include its Registrable securities in such registration shall be conditioned upon such holder's participation in such underwriting and the inclusion of such holder's Registrable securities in the underwriting to the extent provided herein. All Demanding Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the Underwriter or Underwriters selected for such underwriting by a majority in interest of the holders initiating the Demand Registration.

Underwriter or Underwriters for a Demand Registration that is to be an underwritten offering advises the Company and the Demanding Holders in writing that the dollar ampunt or number of shares of Registrable Securities which the pemanding Holders desire to sell, taken together with all other shares of common Stock or other securities which the Company desires to sell and the shares of Gommon Stock, if any, as to which registration has been requested pursuant to written contractual piggy back registration rights held by other shareholders of the Company who desire
to sell, exceeds the maximum dollar amount or maximum number of shares that can be sold in such offering without adversely affecting the proposed offering price, the timing, the distribution method, or the probability of success of such offering-(such maximum dollar amount or maximum number of shares, as applicable, the "Maximum Number of shares"), then the company shall include in such registration: (i) first, the Registrable Securities us to which Demand Registration has been requested by the Demanding Holders (pro rata in accordance with the number of shares of Registrable securities which such Demanding Holder has requested be included in such registration, regardless of the number of shares of Registrable Securities held by each Demanding Holder) that can be sold without exceeding the Maximum Number of Shares; (ii) second, to the extent that the Maximum Number of shares has not been reached under the foregoing clause (i). the shares of common stock or other securities that the company desires to sell that can be sold without exceeding the Maximum Number of Shares; (iii) third, to the extent that the Maximum Number of Shares has not been reached under the foregoing clauses (1) and (ii) the shares of common stock of the account of other persons that the company is obligated to register pursuant to written contractual arrangements with such persons and that can be sold without exceeding the Maximum Number of Shares; and ( $\mathbf{V}$ ) fourth, to the extent that the Maximum Number of Shares have not been reached under the foregoing clauses (i)(ii) and (iii), the shares of common stock that other shareholders desire to sell that can be sold without exceeding the Maximum Number of Shares.
2.1.5. Withdrawt. If a majority in interest of the

Demanding Holders disapprove of the terms of any underwriting or are not entitled to include all of their Registrable Securities in any offering, such majority in interest of the Demanding Holders may elect to withdraw from such offering by giving written notice to the Company and the Underwriter of Underwriters of their request to withdraw prior to the effectiveness of the Registration Statement filed with the Commission with respect to such Demand Registration. If the majority in interest of the Demanding Holders withdraws from a proposed offering relating to a Demand Registration, then such registration shall not count as a Demand Registration provided for in Section 2.1 .1. the Release Date the Company 2.2.1. Propeses to file a Registration Statement under the Securities Act with respect to an offering of equity securities, or securities or other obligations exercisable or exchangeable for, or convertible into, equity securities, by the company for its own account or for shareholders of the Gompany for their account (or by the company and by shareholders of the company including, without limitation, pursuant to section 2.1), other than a Registration Statement (i) filed in connection with any empleyee stock option or other benefit plan, (ii) for an exchange offer or offering of securities solely to the Company's existing shareholders, (iii) for an offering of debt that is convertible into equity securities of the company or (iv) for a dividend minven lin proposed filing to the holders of Registrable securities as soon as practicable
but in no event less than ten (10) days before the anticipated filing dater,

Of Registrable securities as such holders may request in writing within fifteen 15) days following receipt of such notice (a lipiggy Back Registration"). The ompany shall cause such Registrable securities to be included in such registration and shall use its best efforts to cause the managing underwriter or underwriters of a proposed underwritten offering to permit the Registrable securities requested to be included in a Piggy Back Registration to be included on the same terms and conditions as any similar securities of the company and to permit the sale or other disposition of such Registrable securities in accordance with the intended method(s) of distribution thereof. All holders of Registrable securities proposing to distribute their securities through-a
Piggy-Back Registration that involves an Underwriter or Underwriters shall enter into an underwriting wareement in customary form with the Underwriter of underwriters selected for such Piggy Back Registration.any including the Registrable securities, as to which registration has been requested pursuant to written contractual piggy back registration rights of security holders (pro rata in accordance with the number of shares of common stock which each such person has actually requested to be included in such registration, regardless of the number of shares of common stock with respect te which such persons have the right to request such inclusion) that can be sold without exceeding the Maximum Number of Shares; and persons that can be sold without exceeding the Maximum Number of shares; (B) second, to the extent that the Maximum Number of Shares has not been reached under the foregoing clause (A), the shares of Common stock or other securities that the company desires to sell that can be sold without exceeding the Maximum Aumber of shares; and (G) third, to the extent that the Maximum Number of Shares has not been reached under the foregoing clauses ( $A$ ) and (B), the Registrable securities as to which registration has been requested under this section 2.2 fpro rata in accordance with the number of shares of Registrable securities held by each such holder); and (V) fourth, to the extent that the Maximum Number of Shares has not been reached under the foregoing_clauses $(\underline{A}), \ldots(B)$ and ( $\underset{\sim}{ }$ ), the shares of common stock, if any, as to which registration has been requested pursuant to written contractual pig9y
back registration rights which other shareholders desire to sell that can be sold without exceeding the Maximum Number of shares. 2.2.3. Withdrawal. Any holder of Registrable Securities may elect to withdraw such holder's request for inclusion of Registrable securities in any Piggy Back Registration by giving written notice to the Company of such request to withdraw prior to the effectiveness of the Registration statement. The Company may also elect to withdraw a registration statement at any time prior to the effectiveness of the Registration statement. Alotwithstanding any such withdrawal, the Company shall pay all expenses incurred by the holders of Registrable securities in connection with such Piggy Back Registration as provided in section 3.3.

Securities may at any time and from time to time, request in writing that the Gompany register the resale of any or all of such Registrable Securities on Form s 3 or any similar short form registration which may be available at such time ("Form $\mathcal{S}$ - ${ }^{\prime \prime}$ )i- provided, however, that the company shall not be obligated to effect such request through an underwritten offering. Upon receipt of such written request, the Company will promptly give written notice of the proposed fegistration to all other holders of Registrable securities, and as soon as practicable thereafter, effect the registration of all or such portion of sueh holder's or holders' Registrable securities as are specified in such request, tegether with all or such portion of the Registrable Securities of any other holder or holders joining in such request as are specified in a written request holder or holders joining in such request as are specified in a friten fifteen (15) days after receipt of such written notice from the given within Gompany; provided, however, that the company shall not be obligated to effect any such registration pursuant to this section 2.3: (i) if Forms 3 is not any such registration pursuant to this section 2.3: (i) if Form 8 . 3 is Securities, together with the holders of any other securities of the company entitled to inclusion in such registration, propose to sell Registrable securities and such other securities (if any) at any agoregate price to the public of less than $\$ 500,000$. Registrations effected pursuant to this section $\frac{2.3 \text { shall not be counted as Demand Registrations effected pursuant to Section }}{2.1}$ 2.1. of distribution thereof, and shall use its best efforts to cause such until all Registrable securities and other securities covered by such
Registration statement have been disposed of in accordance with the intended
method(s) of distribution set forth in such Registration Statement (which period shall not exceed the sum of one hundred eighty (180) days plus any period during shall not exceed the sum of one hundred eighty (180) days plus any period dur ing which any such disposition is interfered with by any stop order or injunction of the Commiss
withdrawn.
3.1.4. Notification. After the filing of $a$

Registration statement, the Company shall promptly, and in no event more than two (2) business days after such filing, notify the holders of Registrable securities included in such Registration statement of such filing, and shall further notify such holders promptly and confirm such advice in writing in all events within two (2) business days of the occurrence of any of the following: (i) when such Registration Statement becomes effective; (ii) when any
post effective amendment to such Registration Statement becomes effective; (iii) the issuance or threatened issuance by the Gommission of any stop order (and the Company shall take all actions required to prevent the entry of such stop order or to remove it if entered); and (iv) any request by the commission for any amendment or supplement to such Registration Statement or any prospectus felating thereto or for additional information of of the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of the securities covered by such Registration statement, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and promptly make available to the holders of Registrable securities included in such Registration statement any such supplement or amendment; except that before filing with the Commission a Registration Statement or
prospectus or any amendment or supplement thereto, including documents incorporated by reference, the company shall furnish to the holders of Registrable securities included in such Registration Statement and to the legal cumsel for any such holders, copies of all such documents proposed to be filed sufficientyy in advance of filing to provide such holders and legal counsel with a reasonable opportunity to review such documents and comment thereon, and the Gompany shall not file any Registration Statement or prospectus or amendment or supplement thereto, including documents incorporated by reference, to which such holders or their legal counsel shall object.
3.1.5. State Securities Laws Compliance. The Company shall use its best efforts to (i) register or qualify the Registrable Securities eqvered by the Registration statement under such securities or "blue sky" Iaws of such jurisdictions in the United States as the holders of Registrable securities included in such Registration Statement (in light of their intended plan of distribution) may request and (ii) take such action necessary to cause such Registrable Securities covered by the Registration Statement to be registered with or approved by such other Governmental Authorities as may be registered with or approved by such other Governmental Authorities as may be all other acts and things that may ne sur or advisable to enable the holders of Registrable Securities included in such Registration statement to consummate the disposition of such Registrable Securities in such jurisdictions; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (e) or subject itself to taxation in any such jurisdiction.
securities. The representations, warranties and covenants of the company in any underwriting agreement which are made to or for the benefit of any underwriters, 0 the extent applicable, shall also be made to and for the benefit of the olders of Registrable securities included in such registration statement. No holder of Registrable securities included in such registration statement shall be required to make any representations or warranties in the underwriting. agreement except, if applicable, with respect to such holder's organization, ood standing authority, title to Registrable securities, lack of conflict of cuch sale with such holder's material agreements and organizational documents, and with respect to written information relating to such holder that such holder has furnished in writing expressly for inclusion in such Registration statement.
of the company, the principal financial officer of the company, the principal accounting officer of the Company and all other officers and members of the management of the Company shall cooperate fully in any offering of Registrable securities hereunder, which cooperation shall include, without limitation, the reparation of the Registration statement with respect to such offering and all ther offering materials and related documents, and participation in meetings with Underwriters/, attorneys/ accountants and potential investors.
participating in any disposition pursuant to such registration statement and any attorney, accountant or other professional retained by any holder of Registrable securities included in such Registration Statement or any Underwriter, all financial and other records, pertinent corporate documents and properties of the Gompany, as shall be necessary to enable them to exercise their due diligence responsibility, and cause the company's officers, directors and empleyees to supply all information requested by any of them in connection with such Registration Statement.
3.1.9. Opinions and Comfort Letters. The Company
shall furnish to each holder of Registrable Securities included in any Registration Statement a signed counterpart, addressed to such holder, of (i) any opinion of counsel to the Company delivered to any Underwriter and (ii) any eomfort letter from the compran's independent public uccountants delivered to any Underwriter. In the event no legal opinion is delivered to any Underwriter the Company shall furnish to each holder of Registrable securities included in such Registration statement, at any time that such holder elects to use a prospectus, an opinion of counsel to the company to the effect that the Registration Statement containing such prospectus has been declared effective and that no stop order is in effect.
3.1.10. Earnings Statement. The Company shall comply
with all applicable rules and regulations of the commission and the securities Act, and make available to its shareholders, as soon as practicable, an earnings statement covering a period of twelve (12) months, beginning within three (3) months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the securities Act and Rule 158 thereunder.
3.1.11. Listing. The Company shall use its best iste to cause all Registrable securities included in any registration to be as similar securities issued by the company are then listed or designated or, if no such similar securities are then listed or designated, in a manner atisfactory to the holders of a majority of the Registrable securities included in such registration.
3.2 Obligation to Suspend Distribution. Upon receipt of any
notice from the company of the happening of any event of the kind deseribed in
section 3.1.4 (iv), or, in the case of a resale registration on form $s$ - 3 pursuant to section 2.3 hereof, upon any suspension by the company, pursuant to a written insider trading compliance program adepted by the Company's Board of Directors/ of the ability of all "insiders" covered by such program to transact in the Gompany's securities because of the existence of material non public
information, each holder of Registrable Securities included in any registration shall immediately discontinue disposition of such Registrable securities pursuant to the Registration Statement covering such Registrable securities until such holder receives the supplemented or amended prospectus contemplated by Section 3.1.4(iv) or the restriction on the ability of "insiders" to transact in the company's securities is removed, as applicable, and, if so directed by the Company, each such holder will deliver to the company all copies, other than permanent file copies then in such holder's possession, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice:
and expenses incurred in connection with any Demand Registration pursuant te Section 2.1, any Piggy Back Registration pursuant to section 2.2, and any registration on Form $S$ - 3 effected pursuant to section 2.3 , and all expenses incurred in performing or complying with its other obligutions under this Agreement, whether or not the Registration Statement becomes effectiver including, without limitation: (i) all registration and filing foes; (ii) foes and expenses of compliance with securities or "blue sky" laws (including fees and disbursements of counsel in connection with blue sky qualifications of the Registrable securities)i-(iii) printing expenses; (iv) the company's internat expenses (including, without limitation, all salaries and expenses of its officers and employees); ( $V$ ) the fees and expenses incurred in connection with the listing of the Registrable securities as required by section 3.1.11; (vi) disbursonts ar and disbursements of counsel for the company and fees and expenses for independent certified public accountants retained by the company (including the expenses or eosts associated with the delivery of any opinions or comfort letters requested pursuant to section 3.1 .9$)$ in (viii) the fees and expenses of any special experts retained by the company in connection with such registration and (ix) the fees and expenses of one legal counsel selected by the holders of a managing Underwriter, if any, in connection with the preparation of any
Registration statement, including amendments and stuplements therete, in order to effect the registration of any Registrable securities under the securities Act pursuant to section 2 and in connection with the company's obligation to comply with federal and applicable state securities laws.

## 4. INQEMNIFIGATION ANQ CONTRIBUTION.

4.1 Indemnification by the company. The Company agrees to indemnify and hold harmless each Investor and each other holder of Registrable securities, and each of their respective officers/, employees/ affiliates/ directors, partners, members, attorneys and agents, and each person, if any, whe controls an Investor and each other holder of Registrable securities (within the meaning of section 15 of the securities Act or section 20 of the Exchange Act) (each, an "Investor Indemnified Party"), from and against any expenses, losses, judgments, claims, damages or liabilities, whether joint or several, arising out of or based upon any untrue statement (or allegedly untrue statement) of a material fact contained in any Registration statement under which the sale of such Registrable securities was registered under the securities Act, any preliminary prospectus, final prospectus or summary prospectus contained in the Registration statement, or any amendment or supplement to such Registration
statement, or arising out of or based upon any omission (or alleged omission) to state a material fact required to be stated therein or necessary to make the tatements therein not misleading or any violation by the company of the securities Act or any rule or regulation promulgated thereunder
$\qquad$
applicable to the Company and relating to action or inaction required of the company in connection with any such registration; and the company shall promptiy
 reasonably incurred by such Investor Indemnified party in connection with investigating and defending any such expense, loss, judgment, claim, damage, liability or action; provided, however, that the company will not be liable in any such case to the extent that any such expense, loss, claim, damage of liability arises out of or is based upon any untrue statement or allegedly untrue statement or omission or alleged omission made in such Registration statement, preliminary prospectus, final prospectus, or summary prospectus, or any such amendment or supplement, in reliance upon and in conformity with information furnished to the company, in writing, by such selling holder expressly for use therein. The company also shall indemnify any Underwriter of the Registrable securities, their officers, affiliates, directors, partners/ members and agents and each person who controls such Underwriter on substantially the same basis as that of the indemnification provided above in this section 4.1 .
-4.2 Indemnification by Holders of Registrable securities. Each selling holder of Registrable Securities will, in the event that any
registration is being effected under the Securities Act pursuant to this Agreement of any Registrable securities held by such selling holder, indemmify and hold harmless the company, each of its directors and officers and each underwriter (if any), and each other person, if any, who controls such selling. holder or such underwriter within the meaning of the securities Act, against ant iosses, claims, judgments, damages or liabilities, whether joint or severalt insofar as such losses, claims, judgments, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or allegedly untrue statement of a material fact contained in any Registration statement under which the sale of such Registrable securities was registered under the Securities Act, any preliminary prospectus, final prospectus of summary prospectus contained in the Registration Statement, or any amendment or supplement to the Registration statement, or arise out of or are based upon ant emission or the alleged omission to state a material fact required to be stated therein or necessary to make the statement therein not misleading, if the statement or omission was made in reliance upon and in conformity with information furnished in writing to the Company by such selling holder expressly for use therein, and shall reimburse the company, its directors and officers/r and each such controlling_person for any legal or other expenses reasonably incurred by any of them in connection with investigation or defending any such loss, claim, damage, liability or action. Each selling holder's indemmification obligations hereunder shall be several and not joint and shall be limited to the amount of any net proceeds actually received by such selling holder.
recoipt by 4. 3 Conduct of Indemnification Proceedings. Promptly after receipt by any person of any notice of any loss, claim, damage or liability or any action in respect of which indemnity may be sought pursuant to section 4.1 or 4.2, such person (the "Indemmified Party") shall, if a claim in respect thereof is to be made against any other person for indemmification hereunder notify such other person (the "Indemnifying Party") in writing of the loss, elaim, judgment, damage, liability or action; provided, however, that the failure by the Indemnified Party to notify the Indemnifying Party shall not felieve the Indemnifying Party from any liability which the Indemnifying Party may have to such Indemnified Party hereunder, except and solely to the extent the Indemnifying Party is actually prejudiced by such failure. If the mdemnified party is seeking indemnification with respect to any claim or action brought against the

Indemnified Party, then the Indemnifying Party shall be entitled to participate
in such claim or action, and, to the extent that it wishes, jointly with all other Indemnifying Parties, to assume control of the defense thereof with eounsel satisfactory to the Indemmified Party. After notice from the Indemnifying_Party to the Indemnified Party of its election to assume control of the defense of such claim or action, the Indemnifying Party shall not be liable to the Indemnified party for any legal or other expenses subsequently incurred by the Indemmified party in connection with the defense thereof other than feasomable costs of investigation; provided, however, that in any action in which both the Indemnified Party and the Indemnifying Party are named as defendants, the Indemmified party shall have the right to empley separate eumsel (but no more than one such separate counsel) to represent the indemnified Party and its controlling-persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the indemmx such counsel to be paid by such Indemnifying Party if, based upon the written
opinion of counsel of such Indemnified Party, representation of both parties by
the same counsel would be inappropriate due to actual or potential differing. nterests between them. And party with whe the prior written ar lan he Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such judgment or settlement includes an unconditional release of such Indemnified party from all liability arising out of such claim or proceding:
4.4 Contribution.


#### Abstract

foregoing Sections $4.1,4.2$ and 4.3 is unavailable to any Indemnified Party in espect of any loss, claim, damage, liability or action referred to herein, then ach such Indemnifying party, in Iieu of indemnifying such Indemmified party, hall contribute to the amount paid or payable by such Indemnified party as a result of such loss, claim, damage, liability or action in such proportion as is appropriate to reflect the relative fault of the Indemnified parties and the Indemnifying Parties in connection with the actions or omissions which resulted in such loss, claim, damage, liability or action, as well as any other relevant equitable considerations. The relative fault of any Indemnified party and any ndemnifying Party shall be determined by reference to, among other things whether the untrue or alleged untrue statement of a material fact or the mission or alleged omission to state a material fact relates to information supplied by such Indemnified Party or such Indemnifying Party and the parties' celative intent, knowledge, access to information and opportunity to correct of prevent such statement or omission. 4.4.2. The parties hereto agree that it would not be just and equitable if contribution pursuant to this section 4.4 were determined by_pro rata allocation or by any other method of allocation which does not tak account of the equitable considerations referred to in the immediately preceding section 4.4.1. The amount paid or payable by an Indemnified party as a result of any loss, claim, damage, liability or action reforred to in the immediately preceding-paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses incurred by such Indemnified Party in connection with investiguting or defending any such action or claim. Notwithstanding the provisions of this section 4.4, no holder of Registrable securities shall be required to contribute any amount in excess of the dollar amount


of the net procoeds (after payment of any underwriting fees, discounts, commissions or taxes) actually received by such holder from the sale of Registrable Securities which gave rise to such contribution obligation. No person guilty of fraudulent misrepresentation (within the meaning of section 11(f) of the securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.
5. UNOERWRITING ANO DISTRIBUTION.
5.1 Rule 144. The Company covenants that it shall file any reports required to be filed by it under the Securities Act and the Exchange Act and shall take such further action as the holders of Registrable securities may feasomably request, all to the extent required from time to time to enable such holders to sell Registrable Securities without registration under the securities Act within the limitation of the exemptions provided by Rule 144 under the securities Act, as such Rules may be amended from time to time, or any similar Rule or regulation hereafter adopted by the commission.
6. MISGELLANEOUS.
6.1 other Registration Rights. The Company represents and warrants that no person, other than a holder or the Registrable securities, has any right to require the company to register any shares of the companys capital stock for sale or to include shares of the company's capital stock in and fegistration filed by the Company for the sale of shares of capital stock for its own account or for the account of any other person.
6.2 Assignment; No Third Party Beneficiaries. This Agreement and the rights, duties and obligations of the company hereunder may not be assigned or delegated by the company in whole or in part. This Agreement and the rights, duties and obligations of the holders of Registrable securities hereunder may be freely assigned or delegated by such holder of Registrable Securities in conjunction with and to the extent of any transfer of Registrable securities by any such holder. This Agreement and the provisions hereof shall be fespective successors and the permitted assions of the Investor or holder of Registrable securities or of any assianen of Investor or holder of Registrable Securities or of any assignee of the Investor or holder of Registrable securities. This Agreement is not intended to confer any rights or benefits on any persons that are not party hereto other than as expressly set forth in Article 4 and this Section 6.2.
approvals or other commenices. All notices, demands, requests, consents/ ons or other commmications (collectively, "Notices") required 0 armited to be given hereunder or which aregiven with respect to this , blun oun ar courier service with charges prepaid or tramsmited by hand , telegram, telex or facsimite, addressed as set forth below, or to such or address as such party shall have specified most recently by written notice. Notice shall be doemed given on the date of service or transmission if ersomaxiy served or tramsmitted by telegram, telex or facsimile; provided, that if such service or transmission is not on a business day or is after normat business hours, then such notice shall be deemed given on the next business day. Alotice otherwise sent as provided herein shall be deemed given on the next business day following timely delivery of such notice to a reputable air courier service with an order for next day delivery.

6.4 severability. This Agreement shall be doemed severable affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any stuch invalid or unenforceableterm or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.
6.5 counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all of which taken tegether shall constitute one and the same instrument.
6.6 Entire Agreement. This Agreement (including all agrements entered into pursuant hereto and all certificates and instruments delivered
pursuant hereto and thereto) constitute the entire agreement of the parties with fespect to the subject matter hereof and supersede all prior and contemporaneous agreements, representations, understandings, negotiations and discussions between the parties, whether oral or written.
6.7 Modifications and Amendments. No amendment, modification or termination of this Agreement shall be binding. upon any party, unless executed in writing by such party.
6.8 Titles and Headings. Titles and headings of sections of this Agreement are for convenience only and shall not affect the construction of any provision of this Agreement.
waive any right 6.9 Waivers and Extensions. Any party to this Agreement may waive any right, breach or default which such party has the right to waive, provided that such waiver will not be effective against the waiving-party unless it is in writing, is signed by such party, and specifically refers to this Agreement. Waivers may be made in advance or after the right waived has arisen or the breach or default waived has occurred. Any waiver may be conditional. No waiver of any breach of any agreement or provision herein contained shall be deemed a waver of any preceding or succeding breach thereof nor of any other agreement or provision herein contained. No waiver or extension of time for performance of any obligations or acts shall be deemed a waiver or extension of the time for performance of any other obligations of acts.

# IN WITNESS WHEREOF, the parties have caused this Registration Rights 

 Agreement to be executed and delivered by their duly authorized representatives agreement to be executed and deliverINTERNATIONAL SHIPPING
ENTERPRISES, ING.
ENTERPRISES, ING:

By:
Angeliki Frangou, Chairman
INVESTORS:

Angeliki Frangou

Vasiliki Papaefthymiou

Spyridon Magoulas

Julian David Brynteson

John Stratakis

## 45 $\$ 649,000,000$

| NAVIOS MARITIME HOLOINGS ING. |
| :--- |
| FOR |
| ARRANGED BY |
| HSH NOROBANK AG |
| AS MANOATED LEAD ARRAANGER |
| WITH |

HSH NORDBANK AG
ACTING AS AGENT

## ANE

HSH NORDBANK AG
AGTING AS SECURITY AGENF

[NORTON ROSE LOGO]

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## FHIS AGREEMENT is dated 21 December 2005 and made between

(1) NAVIOS MARITIME HOLDINGS INC. as the Borrower;
(2) HSH NOROBANK AG as mandated lead arranger (the "ARPANGER")-i
(5) HSH NORDBANK AG as Security Agent for the secured parties (the "SECURITY
(6) HSH NORPBANK AG as the original hedge counterparty (the "ORIGINAL HEDGE (6) HSH NORPBANK AG-

IT IS AGREED as follow:
SECTION 1: INTERPRETATION
1 DEFINITIONS AND INTERPRETATION

### 1.1 DEFINITIONS

## In this Agreement:

"ACCEPTABLE BANK" means:
(2a) a bank or financial institution which has a rating for its long torm unsecured and non credit enhanced debt obligations of A or higher by by Moody's Investor services Limited or a comparable rating from an internationally recognised credit rating agency;-or
(—) any other bank or financial institution approved by the Agent.
"ACCOUNT LETTERS OF UNDERTAKING" means, together, certain letters of undertaking executed or (as the context may require) to be executed by Certain members of the Group in respect of (a) certain Permitted Existing. Accounts held by stuch members of the Group with HSBC Bank in Greece and (b) the CNSA Account held with Banco de la Republica Oriental del Uruguay in Uruguay and "AGCOUNT LETTER OF UNDERTAKING" means any of them.
"AGCOUNT PLEDGES" means, together, the CNSA Account PIedges, the HSH Hamburg Account Pledge, the Wachovia Deposit Account Security Agreement, the HSH London Account Charge, the Greek Account Pledges and any other Security over the Permited Existing Accounts and "AGCOUNT PLEDGE" means any of them.
"AGCOUNTANTS' REPORT" means the report by Ernst \& Young dated 28 February 2005 relating to the Target and its Subsidiaries prior to the Completion.
"AGCOUNTING PRINCIPLES" means:
(a) US GAAP as adopted in the Original Financial statements delivered "pursuant to part I of schedule 3-(conditions precedent); or
 (Requirements as to Financial statements) such acounting-principles/ standards, practices and bases as have been so agreed.
"AGGOUNTING REFERENGE DATE" means 31 December.
"ACCOUNTS" means the HSH Accounts, the CNSA Accounts, the Wachovia Accounts I and the Permitted Existing Accounts.
$\qquad$
"AGQUISITION" means the acquisition by the Borrower of the Target shares on The terms of the Acquisition Documents:
"AGQUISITION AGREEMENT" means the stock purchase agreement dated 28 February 2005 relating to the sale and purchase of the Target shares and - made between the Target, the Vendors, Robert Shaw and Bruce Hoag as the Vendor's agent and ISE.
"AGQUISITION COSTS" means all fees, costs and expenses, stamp, registration and other Taxes incurred by ISE or any other member of the Group in connection with the Acquisition or the Transaction Documents.
"AGQUISITION DOCUMENTS" means the Acquisition Agreement and any other =- document designated as an "AGQUISITION DOCUMENT" by the Agent and the Borrower.
"AGT" means the Companies Act 1985/ as amended.
"ADOITIONAL COLLATERAL OWNER" means each member of the Group which is or is to become (pursuant to the relevant Purchase option MOA or (as the case may be) the relevant MOA) the registered owner of an Additional collateral shif and "ADOITIONAL COLLATERAL OWNERS" means any or all of them.

## "ADODITIONAL COLLATERAL SHIP" MEanS:

(a) each of the motor vessels listed in rows $7,10,11,13,14$ and 15 of schedule 2 (The ships) (being, on the date of this Agreement/ Chartered ships)i- and schedule 2 (The Ships) (being the MOA Ships) I,
each indicated as a vessel to be purchased by the member of the Group specified opposite such Additional Collateral Ship and, in relation to a Facility (and the Facility Loan or Facility Loans relating to such Facility), it means the Additional Collateral ship opposite the name of Which that facility is specified in the relevant colum of schedule 2 (The Ships)., and "ADDITIONAL COLLATERAL SHIPS" means any or all of them.
"ANEMOS GUARANTEE" means the guarantee, in the agreed form, executed or (as the context mavequire) to be axcoutad by Anomoc Maritime uoldinac Inc in favour of the Security Agent.
"ANAUAL FINANGIAL STATEMENTS" has the meaning given to it in clause 21 =_(Information Undertakings).
" "APPROVED BROKER" means each of Arrow Research Ltd. of London, England, Astrup Fearnley A/S of Oslo, Norway, H-Clarkson \& Company Ltd. Of London England, Maersk Broker $\mathrm{K} / \mathrm{S}$ of Copenhagen, Denmark, and simpson spence Young Ltd. of London, England and any other ship brokers nominated by the Agent from time to time and includes their respective successors in title and "APPROVED BROKERS" means any or all of them.
"ASSIGNMENT OF TERMINAL INSURANCES" means each assignment, in the agreed form, executed or (as the context may require) to be executed by any of (Navios Gorporation or any other member of the

## Group in favour of the security Agent in respect of its rights under

 certain of the insurances over the Terminal and "ASSIGNMENTS OF TERMINA INSURANCES" means any or all of them."AUOITORS" means the auditors for the time being of the Group being Pricewaterhousecoopers or such other firm approved in advance by the Agent (-(such approval not to be unreasonably withheld or delayed).
"AUTHORISATION" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.
"AVAILABILITY PERIOD" means, in relation to each facility, the period from and including the date of this Agreement to and including:
(2) in respect of any of Facility A, Facility B1, Facility B2, Facility B3, Facility $G 1$, Facility G2, Facility D1, Facility 02, Facility 0 and Facility D4, 31 January 2006; of

$$
\overline{\bar{\prime}(\underline{b}) \frac{\text { in respect of either of facility } 63 \text { and Facility } 64,28 \text { February } 2006 ;}{O f} ; ~}
$$

$$
\text { (C) in respect of either of Facility } 65 \text { and Facility } 66,30 \text { April 2006, }
$$

## Or, In each such case, such longer period as the Lenders may in their sole

 discretion determine."AVAILABLE GOMAMITMENT" means, in relation to a Facility, a Lender's Commitment under that facility minus:
(a) the amount of its participation in any outstanding Loans under that Facility; and
(b) in relation to any proposed Loan, the amount of its participation in any other Loans that are due to be made under that Facility on of before the Utilisation pate for that proposed Loan.
"AVAILABLE FACILITY" means, in relation to a Facility, the aggregate for the time being of each Lender's Available commitment in respect of that Facility.
"BASE CASE MODEL" means the financial model including-profit and loss/ balance sheet and cashflow projections in agreed form relating to the Group.
"BORROWER" means Navios Maritime Holdings Inc:, a corporation incorporated in the Marshall Islands.
"BORROWINGS" has the meaning_given to that term in clause 22.1 (Financial (definitions).
"BREAK COSTS" means the amount (if any) by which: (—a) the interest which a Lender should have received for the period from or Unpaid Sum to the last day of the current Interest period in respect of that Loan or Unpaid Sum, had the principal amount or unpaid sum received been paid on the last day of that Interest Period;

## exceeds:

(b) the amount which that Lender would be able to obtain by-placing an amount equal to the principal amount or Unpaid Sum received by it on amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.
"BUDGET" means, in relation to any period, any budget delivered by the ㅍ Borrower to the Agent in respect of that period pursuant to clause 21.4 (Cudget) prepared in accordance with the terms of clause 21.4.3 (Budget): are open for general business in Athens, Hamburg, London and New York City and in such other relevant locations as the Agent may notify to the Borrower.
$\qquad$
"BUSINESS PLAN" means the business plan setting out the strategy and future expectations and intentions for the Borrower and the Group, in the agreed form, prepared by the Borrower.
"CAPITAL EXPENDITURE" has the meaning given to that term in clause 22.1 (Financial definitions).
"CASH EQUIVALENT INVESTMENTS" means at any time:
(c) commercial paper not convertible or exchangeable to any other security:
(i) for which a recognised trading market exists;
(ii) issued by an issuer incorporated in the United States, the United Kingdom, any member of the European Economic Area or ant Participating Member state;
(iii) which matures within one year after the relevant date of calculation; and
(iv) which has a credit rating of either A 1 or higher by standard \& Poor's Rating Services or Fitch Ratings Ltd or p-1 or higher by Moody's Investor services Limited, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long term unsecured and non-credit enhanced debt obligations, an equivalent rating,
(d) any investment accessible within 30 days in money market funds which have a credit rating of either A 1 or higher by Standard \& Poor's Rating services or fitch Rating Ltd or P 1 or higher by Moody's Investor services Limited and which invest substantially all their assets in securities of the types described in sub paragraphs (a) to - ( (c) above; or

## (e) any other debt security approved by the Agent,

in each case, to which any member of the Group is beneficially entitled at that time and which is not issued or guaranteed by any member of the Group Or subject to any security-(other than one arising under the Transaction Security Documents).
"CHARGED PROPERTY" means all of the assets of the obligors which from time to time are, or are expressed to be, the subject of the Transaction Security.
"CHARTER" means each of the time charter contracts identified in schedule 3.16 to the Acquisition Agreement and any other time charter in existence at the date of this Agreement, each having a term which exceeds or by Virtue of any optional extension therein contained may exceed 11 months from the closing bate or from the first Utillisation bate, and any other time charter or bareboat charter contract entered into after the date of this Agreement having a term which exceeds or which by virtue of any optional extension therein contained may exceed 11 months and which is entered into by a member of the Group (whether as a charterer, sub-charterer or owner) and "CHARTERS" means any or all of them
"GHARTER GOMPANIES" means Navios Corporation, Navimax Gorporation, Navios Handybulk Inc., Navios International Inc. and Hestia Shipping Ltd. and "CHARTER COMPANY" means any of them.
"GHARTER EARNINGS" means, in relation to a Chartered Ship, all moneys Whatsoever from time to time due and payable to the relevant obligor arising out of the chartering or other employment or utilisation of such Chartered Ship including any-pool earnings and any damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of such chartered Ship.

[^2] AGCOUNTS" means any or all of them.
"CNSA ACCOUNT PLEDGE" means, in respect of each of the CNSA Accounts held
-plant, buildings, machinery, tools, moveables, lease rights, Intellectual Property, insurance proceeds and any other rights) wherever situated.
"CNSA ASSIGNMENT OF EARNINGS" means the assignment, in the agreed form, executed or (as the context may require) to be executed by CASA in faveur of the security Agent in respect of its rights under certain of the Terminal Earnings.
"GNSA ASSIGNMENT OF INSURANGES" means the assignment, in the agreed form, executed or (as the context may require) to be executed by CNSA and/or an other relevant member of the Group in favour of the security Agent in "respect of its rights under certain of the insurances over the Terminal.
"CNSA GUARANTEE" means the guarantee, in the agreed form, executed or (as the context may require) to be executed by CNSA in favour of the security Agent.
"CNSA QUARTERLY REPORT" means a report in the agreed form detailing the "performance and operation of CNSA in the period to which such report -relates.
$\qquad$
"CNSA SHARE PLEDGE" means the first priority share pledge, in the agreed form executed or (as the context may require) to be executed by Navios Corporation and CNSA in favour of the Security Agent in respect of Navios Corporation's shares in CNSA.

## "CODE" means the U.S. Internal Revenue Code of 1986, as amended.

= Collateral owner, the corporate guarantee executed or (as the context mayrequire) to be executed by the relevant collateral owner in favour of theSecurity Agent or (as the case may be) the secured Parties and "COLLATERALGUARANTEES" means any or all of them.
"COLLATERAL OWNER" means each Existing Collateral owner, each Addition
collateral owner and any other registered owner of a collateral ship.
CollCollateral Ship (but only following the Utilisation Date of the Facilityrelating to such Additional collateral Ship) and each other owned Shipwhich is or is to be pursuant to the terms of this Agreement, subject tosecurity in favour of the security Agent or, as the case may be, theSecured parties as security for the repayment of moneys owing under the
Finance Documents and "COLLATERAL SHIPS" means any or all of them.
"GOLLATERAL SHIP CHARTER ASSIGNMENT" means, in relation to a collaterat
Ship, the specific assignment of a charterparty of such collateral ship in
the agreed form, executed or (as the context may require) to be executed by
enevant collateral owner in favour of the security Agent an
"COLLATERAL SHIP CHARTER ASSIGNMENTS" means any or all of them.
"COLLATERAL SHIP INSURANGE PROGEEDS" has the meaning given to it in clause
8.1 (Total Lossf Sale).
"COMMITMENT" means a Facility A Commitment or a Facility B1 commitment or a
Facility B2 Commitment or a Facility B3 Commitment or a Facility 61
Commitment or a Facility G2 Commitment or a Facility G3 Commitment or a
Facility C4 Commitment or a Facility C5 Commitment or a Facility C6
Commitment or a Facility D1 Commitment or a Facility D2 Commitment or a
Facility D3-Commitment or a Facility D4 Commitment (as the context may
(require).
"COMPLETION" means the completion of the Acquisition in accordance with
section 9 of the Acquisition Agreement.
"COMPLIANCE CERTIFICATE" means a certificate substantially in the form set
out in schedule 8 (Form of compliance Certificate).
"COMPULSORY ACQUISIIION" means requisition for title or other compulsory
acquisition, requisition appropriation expropriation, deprivation
forfeiture or confiscation for any reason of a ship or the Terminal by any
= Government Entity or other competent authority, whether de jure or de
facto, but shall exclude requisition for use of hire not involving
requisition of title.
"CONFIDENTIALITY UNOERTAKING" means a confidentiality undertaking.
substantially in a recommended form of the LMA as set out in Schedule 9
I. (LMA Form of confidentiality Undertaking.) Or in any other form agreed
=-between the Borrower and the Agent.
"CONFIRMATION" means the deed of confirmation from the Borrower
substantially in the form set out in Part VI of schedule 3-(Form of Deed of
Confirmation in relation to ISE Navios Merger):
"CONSTITUTIONAL DOCUMENTS" means in respect of a person (other than a
natural person), such person's memorandum and articles of association,
articles of incorporation, certificate of incorporation, by laws, extracts
from public registers, company statute or other organisational or
constitutive instruments or governance rules, including those relating to
=an obligor delivered pursuant to schedule-3-(Gonditions procedent):
"CONTRAGT OF AFFREIGHTMENT" means each of the contracts of affreightment
listed in schedule 3.16 to the Acquisition Agroement and any other
contracts of affreightment in existence at the date of this Agreement, each
having a term which exceeds or by virtue of any optional extension therein
contrined may oxceed 11 months from the closing Date or the first
U Utilisation Date, and any other contract of affreightment entered inte
Utilisation Date, and any other contract of affreightment entered inte
= aft AFFREIGHTMENT" means any or all of them.
"CONTROL" means in relation to a body corporate:
(ii) appoint or remove all, or the majority, of the directors or other equivalent officers of such body corporate; or
(iii) give directions with respect to the operating and financial (iii) give directions with respect to the operating and financiat
policies of such body corporate with which the directors or other policies of such body corporate with which the directors or other and/or
(b) the holding beneficially of more than 50 per cent. of the issued share capital of such body corporate (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital)-r

## and "CONTROLLED" shall be construed accordingly.

"CORE ACTIVITIES" means the operation of an international maritime business focusing on:
(— (a) the transportation and handling of bulk dry cargoes through the Ownership, operation and chartering of vessels and the trading of freight derivatives; and
(b) the right to the operation of the port and transfer station at the Nueva Palmira Free Trade Zone.
"DEBT COVER" has the meaning-given to that term in clause 22.1 (Financial (definitions).
"PEBT SERVIGE" has the meaning given to that term in clause 22.1 (Financial (definitions)!
"DEFAULT" means an Event of Default or any event or circumstance specified in clause 24 (Events of Default) which would (with the expiry of a grace "period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event Of Default.
"DELEGATE" means any delegate, agent, attorney or co-trustee appointed by the Security Agent.
"DANB OPERATING AGGOUNT" means the Navimax Corporation DAB Operating.
Account, the Navios Handybulk DnB Operating, Account, the Navios
International onB operating Account and the Navios Corporation Dn
Operating Account and "DAB OPERATING AGCOUNTS" means any or all of them.
" "DOC" means a document of compliance issued to an owner of a Ship in ucordance with rule 13 of the ISM code.
"DOLLARS" and "US\$" means the lawful currency for the time being of the United States of America.
"DORAAANT SUBSIDIARY" means a member of the Group which does not trade (for I itself or as agent for any person) and does not own, legally or
beneficially, assets (including indebtedness owed to it) which in aggregate = have a value of $\$ 100$, 000 or more or its equivalent in other currencies.
"EARNINGS" means, in relation to an owned Ship, all moneys what soever from time to time due and payable to the relevant member of the Group arising. out of the use or eperation of such owned ship including all freight, hire and passage moneys, income arising under pooling arrangements, compensation - payable to such member in the event of requisition of such owned ship for =-hire, remumeration for salvage and towage services, demurrage and detention (moneys, and damages for breach (or payments for variation or termination) Of any charterparty or other contract for the employment of such owned Ship.
"EBITDA" has the meaning_given to that term in clause 22.1 (Financial definitions).
"ENVIRONMENTAL GLAIM" means:
(a) any and all enforcement, clean up, removal or other governmental or regulatory action or order or claim instituted or made pursuant to any Environmental Law or resulting from a Spill; or
=(b) any claim made by any other person relating to a spill.
"ENVIRONMENTAL INCIDENT" means any Spill:
(- a) from any Relevant Vessel; of
(b) from any other vessel in circumstances where:
( (i) any Relevant Vessel or its owner, operator or manager may be liable for Envirommental Claims arising from the Spill (other than Environmental Claims arising and fully satisfied before the date of this Agreement); and/or
(ii) any Relevant Vessel may be arrested or attached in connection with any such Environmental Claims.

## "ENVIRONMENTAL LAW" means any applicable law or regulation which relates

 to:(2) the pollution or protection of the environment;
(b) harm to or the protection of human health; or
(C) any emission or substance capable of causing harm to any living. organism or the environment.
"ENVIRONMENTAL PERMITS" means any permit and other Authorisation and the filing of any notification, report or assessment required under ant Environmental Law for the operation of the business of any member of the Group conducted on or from the properties owned or used by any member of the Group-
the meaning of section 4001(az)(14) Of ERISA, or is a member of a group which includes the Borrower and any of its subsidiaries and which is treated as a single employer under section $414(\underline{b}),(\underline{c}) /(m)$ or (or $(\underline{\theta})$ of the Code.
"ERISA EVENT" means (a) with respect to any Plan, the occurrence of a Reportable Event or the substantial cessation of operations (within the meaning of section $4062(\underline{e})$ of ERISA), (b) the withdrawal of the Borrower of any of its subsidiaries or any ERISA Affiliate from a Multiple Employer
 orn Multiple Employer Plan, (c) the distribution of a notice of intent to terminate or the actual termination of a plan pursuant to section $4041(\underline{a})(\underline{2})$ or 4041 A of ERISA, (d) the institution of procecdings to terminate or the actual termination of a Plan by the PBGC under section 4042 of ERISA, (e) any event or condition which might reasomably constitute - grounds under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, (f) the complete or —partial withdrawal of the Borrower or any of its subsidiaries or any ERISA Affiliate from a Multiemployer Plan, (.g.) the conditions for imposition of I lien under section $302(\underline{f})$ of ERISA exist with respect to any Plan or (h) the adoption of an amendment to any Plan requiring the provision of =security to such Plan pursuant to section 307 Of ERISA.
"EVENT OF DEFAULT" means any event or circumstance specified as such in clause 24 (Events of Default).
$\qquad$
"EXCHANGE ACT" means the Securities Exchange Act of 1934 of the United States, as amended, and the rules and regulations promulgated thereunder.
"EXCLUOED EXISTING ACCOUNTS" means those bank accounts of members of the
Group as at the date of this Agreement notified by the Agent to the Borrower in writing as being "Excluded Existing Accounts" on or prior to the submission of the first Utilisation Request.
"EXCESS CASH" means, in relation to each Financial Quarter, the amount (calculated pursuant to clause 8.1.8 (Total Loss/sale) ) which is equal to:

## (-a) the rree Liquid Assets of the Group as at the Excess cash calculation

 Date in relation to such Financial Quarter, minus
## (- b) $\$ 40,000,000$, minus

(C) only in the case of each of (i) the rinancial Quarter ending 31 December 2005, (ii) the Financial Quarters of the Financial Year ending 31 December 2006 and (iii) the first three Financial Quarters of the Financial Year ending 31 December 2007, the Relevant Amount for the relevant Financial Quarter.
"EXCESS CASH CALCULATION DATE" means, in relation to each rinanciaI
Quarter, the date falling one month (or such other later date agreed in
-Writing by the Agent in its sole discretion following a request by the Writing by the Agent in its sole discretion following a request by the CASH CALCULATION DATES" means any or all of them.
"EXISTING GOLLATERAL OWNER" means each registered owner of an Existing Collateral Ship and "EXISTING COLLATERAL OWNERS" means any or all of them.
"EXISTING COLLATERAL SHIP" means each of the motor vessels (being, on the date of this Agreement, Owned Ships) listed in rows 1 to 6 (inclusive) of Schedule 2 (The ships), indicated as owned by the member of the Group specified opposite such Existing Collateral Ship's name and "EXISTING COLLATERAL SHIPS" means any or all of them.
"EXISTING FINANCIAL INDEBTEDNESS" means the Financial Indebtedness of the Group as at the date of this Agreement (including the Existing HSH Debt) notified by the Agent to the Borrower as being "Existing financiat I. Indebtedness" on or prior to the submission of a Utilisution Request.
"EXISTING HSH DEBT" means the aggregate principal amount owing by the Borfower under the Existing Loan Agreement at any relevant time.
"EXISTING LOAN AGREEMENT" means the facilities agreement dated 12 July 2005 (las amended by an amendment letter dated 25 August 2005 ) and made between (—inter alios) ISE as borrower and HSH Nordbank AG as mandated Iead arranger, agent and security agent, as amended and supplemented, in respect =of loan facilities of (originally) $\$ 520,000,000$.
"FAGILITY" means Facility $A$ or Facility B1 or Facility B2 or Facility B3 or
Facility C1 or Facility C2 or Facility C3 or Facility C4 or Facility C5 or
Facility C6 or Facility D1 or Facility D2 or Facility D3 or Facility D4 (as the context requires) and, in relation to an Additional collateral ship, it (means the Facility specified opposite such ship's name in the relevant column of schedule 2 (The Ships) and "FACILITIES" means all of them.
"FAGILITY $A$ " means the term loan facility made available under this Agrement as described in paragraph (a) of clause 2.1.1 (The Facilities).

## "FAGILITY A COMMITTMENT" means:

((a) In relation to an original Lender, the amount in dollars set opposite its name under the heading "Facility A commitment" in Part II of schedule 1 (The original parties) and the amount of any other facility A Commitment transferred to it under this Agreement; and
(b) in relation to any other Lender, the amount in dollars of any Facility A Commitment transferred to it under this Agreement,

## to the extent not cancelled, reduced or transferred by it under this Agreement.

"FACILITY A LOAN" means a loan made or to be made under Facility 1 or the ב-principal amount outstanding for the time being of that loan.
"FACILITY A REPAYMENT DATE" means each date set out in clause 6.1.1 (1Repayment of Loans)
"FAGILITY B REPAYMENT DATE" means each date for repayment of facility B1, Facility B2 and Facility B3 as set out in clause 6.1.2 (Repayment of Loans).
"FAGILITY B1" means the term loan facility made available under this =Agrement as described in paragraph(b) of clause 2.1.1 (The Facilities).

## "FAGILITY B1 COMMITMENT" means:

(a) in relation to an original Lender, the amount in dollars set opposite its name under the heading "Facility B1 Commitment" in Part II of Schedule 1 (The Original parties) and the amount of any other facility B1 Commitment transferred to it under this Agreement; and

## (b) in relation to any other Lender, the amount in dollars of any facility

 B1 Commitment transferred to it under this Agreement/to the extent not cancelled, reduced or transferred by it under this Agreement.
"FAGILITY B1 LOAN" means a Ioan made or to be made under facility B1 or the﹎principal amount outstanding for the time being on that loan.
"FAGILITY B2" means the term Ioan facility made available under this Agreement as described in paragraph (c) of clause 2.1.1 (The Facilities).
" "FAGILITY BZ COMAITMENT" Means:
(a) in relation to an original Lender, the amount in dollars set opposite its name under the heading "Facility B2 Commitment" in Part II of
schedule 1 (The 0riginal parties) and the amount of any other Facility B2 Commitment transferred to it under this Agreement; and
(—) in in relation to any other Lender, the amount in dollars of any facility B2 Commitment transferred to it under this Agreement/,
to the extent not cancelled, reduced or transferred by it under this Agrement.
"FACILITY B2 LOAN" means a loan made or to be made under facility B2 or the "principal amount outstanding for the time being of that loan.
"FAGILITY B3" means the term loan facility made available under this Agreement as described in paragraph (d) of clause 2.1.1 (The Facilities).
" "FAGILITY B3 COMMITMENT" means:
(a) in relation to an original Lender, the amount in dollars set oppositeits name under the heading "Facility B3-Gommitment" in Part II OISchedule 1 (The Original Parties) and the amount of any other FacilityB3-commitment transferred to it under this Agreement; and
(b) in relation to any other Lender, the amount in dollars of any Facility=—B3-Commitment transferred to it under this Agreement/
to the extent not cancelled, reduced or transferred by it under thi
Agreement.10
"FAGCILITY B3 LOAN" means the loan made or to be made under Facility B3-of The principal amount outstanding for the time being of that loan.
"FACILITY C LOAN means a facility C1 Loan or a Facility cz Loan or aFacility G3 Loan or a facility ch Loun or aracility cs Loan or aracilityCG Loan, as the context requires and "FAGILITY $G$ LOANS" means all of them.
"FAGILITY $C$ REPAYMENT DATE" means each date for repayment of facility CI,
Facility C2, Facility C3, Facility C4, Facility 65 and Facility $C 6$ as set=out in clause 6.1.3 (Repayment of Loans):
" "FAGILITY G1" means the term loan facility made available under this Agrement as described in paragraph (e) of clause 2.1.1 (The Facilities).
"FACILITY C1 COMMITMENT" means:
(a) in relation to an Original Lender, the amount in dollars set opposiits name under the heading "Facility Cl commitment" in Part II ofits name under the heading "Facility C1 Commitment" in Part II ofSchedule 1 (The original parties) and the amount of any 0
(b) in relation to any other Lender, the amount in dollars of any facility C1 Commitment transferred to it under this Agreement/,
to the extent not cancelled, reduced or transferred by it under this
Agreement.
"FAGILITY GI LOAN" means a loan made or to be made under facility CI or theב-principal amount outstanding for the time being on that loan.
"FACILITY G2 COMMITMENT" means:
(C(2) in relation to an original Lender, the amount in dollars set opposite - its name under the heading "Facil'ity C2 Commitment" in Part II ofSchedule 1 (The Original Parties) and the amount of any other FacilitG2 Commitment transferred to it under this Agreement; and(b) in relation to any other Lender, the amount in dollars of any facility-(b) In relation to any ofter cent it under this Agreement
to the extent not cancelled reduced or transferred by it under thi"pacILITY G2 LOAN" means a Ioan made or to be made under Faci
"FAGILITY G3" means the term loan facility made available under this"FAGILITY G3 GOMMITMENT" means C5 Commitment transferred to it under this Agreement; and
(b) in relation to any other Lender, the amount in dollars of any facility
ב- C5 Commitment transferred to it under this Agreement/,

## to the extent not cancelled, reduced or transferred by it under this

 Agrement." "FAGILITY C5 LOAN" means a Ioan made or to be made under Facility C5 or the principal amount outstanding for the time being on that loan.
"FACILITY CG" means the term loan facility made available under this Agreement as described in paragraph (j) of clause 2.1.1 (The Facilities).

## " "FAGILITY GG GOMAITMENT" Means:

(a) in relation to an original Lender, the amount in dollars set opposite its name under the heading "Facility C6 commitment" in Part II of schedule 1. (The Original parties) and the amount of any other Facility G6 Commitment transferred to it under this Agreement; and
(——) in relation to any other Lender, the amount in dollars of any facility C6 Commitment transferred to it under this Agreement/,

[^3] Agrement.
" FFACILITY CG LOAN" means a loan made or to be made under Facility C6 or the "principal amount outstanding for the time being on that loan.
"FAGILITY D LOAN" means a Facility D1 Loan or a Facility D2 Loan or a Facility D3 Loan or a Facility D4 Loan, as the context requires and "FAGILITY D LOANS" means all of them.
"FAGILITY D REPAYMENT DATE" means each date for repayment of Facility DI, Facility D2, Facility D3 and Facility D4, as set out in clause 6.1.4 (Repayment of Loans).
"FACILITY D1" means the term loan facility made available under this
Agreement as described in paragraph (k) of clause 2.1.1 (The Facilities).
$\qquad$

## "FACILITY DI COMMMITMENT" means

> (b) in relation to any other Lender, the amount in dollars of any facility D1 Commitment transferred to it under this Agreement/,

## to the extent not cancelled, reduced or transferred by it under this

Agreement.
" "FAGILITY DI LOAN" means a Ioan made or to be made under Facility DI or the E-principal amount outstanding for the time being on that laan.
"FAGILITY D2" means the term loan facility made available under this Agreement as described in paragraph(1) of clause 2.1.1 (The Facilities).

# (a) in respect of a Lender, the office or offices notified by such Lender 

 to the Agent in writing on or before the date it becomes a Lender (or// following that date, by not less than five Business Days' priof =Written notice) as the office or offices through which it will perform its obligations under this Agreement; or(b) in respect of any other person, any relevant jurisdiction in which it is resident for tax purposes.
"FEE LETTER" means the letter dated on or about the date of this Agreement betwen (inter alios) the Agent and the Borrower setting out any of the fees referred to in clause 13 (fees).

"FFA" means a forward freight derivative transaction.

> "FFA TRADING STATEMENT" means a statement of earnings and cash receipts from forward freight derivatives including a schedule of existing FFAs =(whether closed or not) for the immediately preceding Financial Quarter of the Group and a short commentary specifying the current trading-positions/ significant changes from the preceding Financial Quarter, expected trading בand any changes in trading_policy;
"FINANCE DOCUMENT" means this Agreement, the Offer Letter, any Compliance Certificate, the fee Letter, any Hedge Agreement, any Resignation Letter, =any solection Notice, any Transaction Security Document, any Utilisation Request, the Intra Group Loan Agreement and any other document designated as a "Finance Document" by the Agent and the Borrower.
"FINANGE LEASE" has the meaning given to that term in clause 22.1三-(Financial definitions).
"FINANGE PARTY" means the Agent, the Arranger, the security Agent, a Lender Or any Hedge Counterparty.
"FINANCIAL INDEBTEDNESS" means any indebtedness for or in respect of:

## (—르) monies borrow;

(b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, lean stock or any similar instrument;
(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Accounting Principles, be treated as a finance or capital lease;
(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis) i
(— $\ddagger$ ) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market value shall be taken into account);
(- (g) any counter indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
(h) any amount of any liability under an advance or deferred purchase agreement if (a) one of the primary reasons behind entering into the agreement is to raise finance or (b) the agreement is in respect of the supply of assets or services and payment is due more than 90 days after the date of supply;
(.(.). any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowingi and
(K) the amount of any liability in respect of any guarantec for any of the items referred to in paragraphs (ä) to (.j.) abover
and so that where the amount of Financial Indebtedness falls to be "calculated, no amount shall be taken into account more than once in the Same calculation and, where the amount is to be calculated on a consolidated basis in respect of a corporate group, monies borrowed or Iraised, or other indebtedness, as between members of such group shall be "- excluded provided that the debtor is a wholly ouned subsidiary of the Borrower.

## "FIMANGIAL QUARIER" has the meaning-given to that term in clause 22.1

 =(Financial definitions).-"FINANCIAL QUARTER DAY" has the meaning_given to that term in clause 22.1 —(Financial definitions).
"FINANCIAL YEAR" has the meaning_given to that term in clause 22.1 (Financial definitions).
" "FLAG-STATE" means:
(2) the Republic of Panama; of
(b) in relation to the Existing Collateral Ships only the Hellenic Republic or, following the Borrower's compliance with clause 23.52.1 (Conditions' Subsequent), the Marshall Islands or the Republic of Panamar
or, in each such case, such other state or territory approved in writing by the Agent, at the request of a member of the Group, as being the "Flag.
State" of the ship owned by such member whether, in the case of a
Collateral Ship, for the purposes of the relevant Transaction Security Documents or, in the case of any other owned ship, for any other purpose.
"FLEET BOOK VALUE" has the meaning-given to that term in clause 22.1 =(Financial definitions).
"FLEET MARKET VALUE" has the meaning-given to that term in clause 22.1 (Financial definitions).
"FOREIGN PLAN" means any employe benefit plan, program, policy arrangement or agreement maintained or contributed to by, or entered into with, the Borrower or any of its Subsidiaries with respect to employees Cemployed outside the united states.
"FOREIGN PLAN UNOERFUNOING" means an excess of the present value of the accrued benefit liabilities (whether or not vested) under a Foreign Plan, determined as of the end of the mest recently ended fiscal year of the bor or any of its subsidiaries (based on the actuariat assumptions requirements), over the current value of the assets of such Foreign Plan.
"FORM S 4" means the form S 4 Registration Statement filed with the united
States Securities and Exchange Commission by ISE in connection with the os Merger.
"FREE LIQUIO ASSETS" has the meaning-given to that term in clause 22.1 "(Financial definitions).
"GENERAL ASSIGAMENT" means, in relation to a Collateral ship, the general assignment collateral to the Mortgage for such collateral ship, in the agreed form, executed or (as the context may require) to be executed by the = relevant collateral owner in cavour of the security Agent of as the case may be) the secured Parties and "GENERAL ASSIGAMENTS" means any or all of them;
"GREEK AGCOUNT PLEDGES" means, together (a) the account pledge executed by the Manager in favour of HSH Nordbank AG in respect of two bank accounts of the Manager held with Alpha Bank A.E. in Greece and (b) the account pledge executed by Navios Corporation in favour of HSH Nordbank AG in

## 15

respect of two bank accounts of Navios Corporation held with Alpha Bank A.E. in Greece and "GREEK AGCOUNT PLEDGE" means either of them.
$\qquad$ "GOVERNMENT ENTITY" means and includes (whether having a distinct legaI personality or not) any national, local or supranational government or =- governmental authority, regulatory body, board, commission, department, = division, organ, instrumentality, court or agency and any association/ Organisation or institution of which any of the foregoing is a member or to Whose jurisdiction any of the foregoing is subject or in whose activities (any of the foregoing is a participant.
"GROUP" means the Borrower and each of its Subsidiaries from time to time during the term of this Agreement.
"GROUP STRUCTURE CHART" means the group structure chart in the agreed form.
"HEDGE AGREEMENT" means any master agreement, confirmation, schedule of Other agreement in agreed form entered into or to be entered into by the Borrower and a Hedge Counterparty (including the HSH ISDA Agreement) for the purpose of hedging interest rate liabilities in relation to the Facilities in accordance with the Hedge Strategy Letter:
"HEDGE COUNTERPARTY" means the Original Hedge Counterparty and each Lender Or Affiliate of a Lender which, in accordance with and for the purposes of Clause 25.8 (Hedge Gounterparties) acts as an interest rate hedging. counterparty and has executed and delivered a Hedge Counterparty Accession Letter.
"HEDGE COUNTERPARTY AGCESSION LETTER" means a document duly executed by a Hedge Counterparty substantially in the form set out in Schedule 12 (Form of Hedge Counterparty Accession Letter).
"HEDGE STPATEGY LETTER" means a letter delivered to the Agent in accordance
with clause 5.6 (Hedge Transactions) between the Agent and the Borrower describing the hedging arrangements entered into or to be entered into in =respect of the interest rate liabilities of the Borrower under this Agreement.

## of the security Agent

"HESTIA OPERATING ACCOUNT" means an interest bearing dollar account of Hestia Shipping Ltd. opened or (as the context may require) to be opened With the London branch of the security Agent designated the Hestia Shipping Ltd. Operating Account and includes any other account designated in writing by the Agent to be a Hestia Shipping Ltd. Operating Account for the —purposes of this Agreement

## "HOLOING AGCOUNT" means an interest bearing account:

(-2) held in Hamburg by the Borrower with the Agent or security Agent;
(b) identified in a letter between the Borrower and the Agent as a Holding Account; and
(C) subject to security in favour of the security Agent which security is in form and substance satisfactory to the Agent

## C(as the same may be redesignated, substituted or replaced from time to

 (ime)." "HOLOING COMPANY" means, in relation to a company or corporation, any other company or corporation in respect of which it is a subsidiary.
"HSH ACCOUNTS" means the Holding Account, the Operating Accounts (other than any CNSA Account which is an operating Account), the Retention Account and the Working Gapital Account and includes any sub accounts thereof:
"HSH HAMBURG ACCOUNT PLEDGE" means the first priority account pledge, in the agreed form, executed or (as the context may require) to be executed by the Borrower in favour of the Security Agent in respect of the Holding Account, the Retention Account and the Working Capital Account.
$\qquad$
"HSH ISDA AGREEMENT" means the 1992 ISDA Master Agreement (including a schedule thereto) dated as of 4 October 2005 entered into between the Borrower and the or ginat Hedge counterparty, including any confirmations (as din and (and defined therein) entered into thereunder.
"HSH LONDON AGCOUNT CHARGE" means the first priority account charge, in the agreed form, executed or (as the context may require) to be executed by CNSA, Navios International Inc., Navimax Corporation, Navios Handybulk IInc., Hestia Shipping Ltd., Navios ShipManagement Inc., each Existing. Collateral owner, each Additional Collateral owner and any other relevant I- member of the Group in favour of the security Agent.
"INFORMATION MEMORANOUM" means the document in the form approved by the Borrower concerning the Target Group which, at the request of the Borrower and on its behalf is or is to be prepared in relation to this transaction approved by the Borrower and distributed by the Arranger prior to the Syndication Date in connection with the syndication of the Facilities
"INFORMATION PACKAGE" means the Reports, the Base Case Model and the Business Plan.
"INNGURANGE REPORT" Means an insurance opinion in the agreed form prepared by BankServe Insurance Services Ltd and dated on or before the first Utilisation Date and addressed to, and/or capable of being relied upon by the Arranger and the other secured Parties.

"INTELLECTUAL PROPERTY" means:

(—2) any patents, trade marks, service marks, designs, business names, copyrights, design rights, software rights, domain names, morat rights, inventions, confidential information, knowhow and other intellectual property rights and interests, whether registered of unregistered; and
(b) the benefit of all applications and rights to use such assets of each member of the Group.
"INTEREST" has the meaning-given to that term in clause 22.1 (Financial (definitions).
"INTEREST PAYABLE" has the meaning_given to that term in clause 22.1 (Financial definitions).
"INTEREST PERIOD" means, in relation to a Loan, each period determined in accordance with clause 11 (Interest Periods) and, in relation to an Unpaid Sum, each period determined in accordance with clause 10.4 (Default (interest)
"INTEREST RECEIVABLE" has the meaning-given to that term in clause 22.1 =(Financial definitions):
"INTRA GROUP LOAN AGREEMENT" means the intra group loan agreement, in the agreed form, between the Borrower and others as borrowers, the Borrower and others as lenders and the security Agent.
"INTRA GROUP LOAN ASSIGNMENT" means the Loan assignment, in the agreed form, executed or (as the context may require) to be executed by the Borrower and others in favour of the security Agent.
"INTRA GROUP LOANS" means loans made by:
(- a) the Borrower to a security Provider;
(b) one Security Provider to another Security Provider where neither such security provider is a Purchase option subsidiary; of
(c) a member of the Group to a Purchase option subsidiary for the sole purpose of assisting such Purchase option Subsidiary to acquire a Purchase Option shipoprovided that such Purchase option ship is Purchase Option Ship, provided that such Purchase Option Subsidiaries) in

"LEGAL DUE DILIGENCE REPORT" means the legal due diligence report in the agreed form dated 24 March 2005 as supplemented by a memorandum dated 6 Ma I-2005 prepared by Mintz Levin Gohn Ferris Glovsky and popeo P.C. relating to | 2005 prepared by Mintz Levin Conn Ferris Glovsky and popeo P... relating to |
| :--- |
| the Acquisition and addressed to, and/or capable of being relied upon byr | the Acquisition and addressed to, and/or capable of being relied upon by Fthe Arranger and the other secured Parties.

## "LEGAL RESERVATIONS" Means:

(a) the principle that equitable remedies may be granted or refused at the =- discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;
(b) the time barring of claims under the Limitation Acts, the possibility that an undertaking to assume liability for or indemmify a person against non payment of UK stamp duty may be void and defences of set-off or counterclaim; and

## (c) similar principles, rights and defences under the laws of any Relevant

 Jurisdiction.
## "LENDER" means:

(- (a) any Original Lender; and
(b) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with clause 25 (Changes to the Lenders)//

Which in each case has not ceased to be a party in accordance with the terms of this Agreement.
"LIBOR" means in relation to a particular period:
(a) the rate per annum for deposits of dollars for a period equivalent to such period at the specified Time on the Quetation Day for such period as displayed on Reuters BBA page LIBORO1 (and, for the purposes of this Agreement, "REUTERS BBA PAGE LIBORO1" means the display designated as "Reuters BBA page LIBORO1" on the Telerate Service of such other page as may replace "Reuters BBA page LIBORO1" on the Telerate service for the purpose of displaying rates comparable to that rate or on such other service as may be nominated by the British Bankers' Association for the purpose of displaying BBA Interest Settlement Rates (as defined in the British Bankers' Association's Recommended Terms and conditions ("BBAIRS" terms) dated August, 1996 ) for dollars); or
(—b) if on such date no such rate is displayed, LIBOR for such period shall be the rate per annum determined by the Agent to be the arithmetic mean of the rates per annum (rounded upward if necessary to the mean of the rates per annum (rounded upward if necessary to the nearest one sixteenth $(1 / 16 \mathrm{th})$ of one per cent) quoted to the Age the Reference Banks at the request of the Agent as the Reference Banks' offered rate for deposits in dollars in an amount comparable with the amount in relation to which LIBOR is to be determined and interbank market at or about the specified Time on the Quotation Day for such period.

C6 Loan or a Facility D1 Loan or a Facility D2 Loan or a Facility D3 Loan Or a facility D4 Loan (as the context may require).
"LONG-STOP DATE" means 30 April 2006 or such other later date (falling in ㄹ any event not later than 31 May 2006) as the Agent (acting on the I instructions of the Majority Lenders) may, following the Borrower's request in writing, agree in writing in its absolute discretion and, if such consent is given, on such conditions as the Agent (acting on the instructions of the Majority Lenders) may impose.
"MAJORITY LENDERS" means a Lender or Lenders whose Commitments aggregatmore than $69(2) \not / 3$ per cent. Of the Total commitments (or, if the TotalCommitments have been reduced to zero, zggregated more than 6e(2)/3 percent. Of the Total Commitments immediately prior to that reduction).
"MANAGEMENT AGREEMENT" means, in relation to each collateral ship.
(a) the agreement made or (as the context may require) to be made, In the agreed form, between the relevant collateral owner and the Manager providing for the Manager to manage such collateral Shipi and
(——

the agreement dated 2 June 2004 between the Manager as head manager
Ship (as amended and supplemented from time to time)
and "MANAGEMENT AGREEMENTS" means any or all of them.
"MAAAGER" means Navios ShipManagement, Inc. and/or any other personappointed by the relevant collateral owner, with the prior written consentof the Agent, as the manager of any of the collateral ships and includes
$\qquad$
"MANAGER'S UNOERTAKING" means, in relation to each collateral ship, an
undertaking and assigment, In the agred form, oxecuted or as the contextas a condition precedent to the approval of the Management Agreementsrelating to such collateral ship (as the case may be) and "MANAGER's
UNOERTAKINGS" means any or all of them.
MANDATORY COST means the percentage rate per annum calculated by theAgent in accordance with schedule 5-(Mandatory Cost Formula).
"MARGIN" means:
(-2) In relution to the pacility A Loan, the ra
(b) in relation to the Facility B1 Loan, 2.25 per cent. per annum;
(c) in relation to the Facility B2 Loan, 2.50 per cent. per annum;
(d) in relation to the Facility B3 Loan, 2.75 per cent. per annum;
(e) in relation to any unpaid sum relating or referable to a Facility, therate per annum specified above for that Facility; and
( $\ddagger$ ) in relation to any other unpaid sum, the highest rate specified above.
"MATERIAL ADVERSE EFFECT" means in the reasonabie opinion of the Agent(material adverse effect on:
(a) the business, operations, property, assets, condition (financial orotherwise) or prospects of the Group taken as a whole; Of
-(b) the ability-
(c) the validity or enforceability of, or the effectiveness or ranking of any Transaction Security or the rights or remedies of any Finance party under any of the rinance Documents.
"MAAERIAL GONTRAGT" means each of the material contracts identified inschedule 3.16 of the Acquisition Agreement and any other Charters andContracts of Affreightment save for:
(a) any contract of affreightment having a term of less than 11 months asat the Closing Date and which does not contain any optional extensionat the Closing Date and which does not contain any optional extensionby virtue
(b) any charterparty having a term of less than 11 months as at theClosing Date and which does not contain any optional extension byvirtue of which its term may exced 11 months as from the closingDate.
"MERGER AGREEMENT" means the merger agreement dated 25 August 2005 an in int lon and basis und when they merged into one entity (being the Borrower).
(as the context may require) to be made between the relevant seller and therelevant Additional Collateral owner, in relation to the sale by therelevant seller, and the purchase by the relevant Additional collateraOwner, of such MOA Ship, as such memorandum of agreement may be amendedand/or supplemented from time to time with the prior written consent of theAgent (acting on the instructions of the Majorify lenders) and "MOAS" meanany or all of them.
"MOA SHIP" means each of the motor vessels listed in rows 27 to 30(inclusive) of schedule 2 (The ships) indicated as a ship to be purchased=-under a MOA in the relevant column opposite such MOA Ship's name, and "MOASHIPS" means any or all of them.
$2 \theta$

[^4]"MULTIPLE EMPLOYER PLAN" means a Plan covered by Title IV of ERISA, other than a Multiemployer Plan, of which the Borrower or any of its Subsidiaries Or any ERISA Affiliate and at least one employer other than the Borrower or "בanyof its subsidiaries or any ERISA Affiliate are contributing sponsors.
"NAVIMAX CORPORATION ASSIGNMENT OF INSURANGES" means the assigmment, in the agreed form, executed (or as the context may require) to be executed by Navimax Corporation in favour of the security Agent in respect of its rights under certain insurances of which it has the benefit.
"NAVIMAX CORPORATION GHARTER ASSIGAMENT" means a first priority assignment, In the agreed form, executed or (as the context may require) to be executed by Navimax Corporation in favour of the Security Agent in respect of all Charters or Contracts of Affreightment to which Navimax corporation is u "party.

## "NAVIMAX CORPORATION DNB OPERATING ACCOUNT" means the interest bearing

 dollar account of Navimax Corporation held with DaB Nor Bank in New York.NAVIMAX CORPORAIION GUARANTEE" means the guarantee, in the agreed form exeuted or (as the context may require) to be executed by Navimax Corporation in favour of the security Agent.
$\qquad$ "NAVIMAX CORPORATION OPERATING ACCOUNT" means an interest bearing dollar count of Navimax Corporation opened or (as the context may require) to be Opened with the London branch of the Security Agent designated the Navimax Corporation Operating Account and includes any other account designated in Writing by the Agent to be a Navimax Corporation Operating Account for the purposes of this Agreement.
"NAVIOS CORPORATION ASSIGNMENT OF INSURANCES" means the assignment, in the agreed form, executed (or as the context may require) to be executed by Navios Corporation in favour of the security Agent in respect of its rights "under certain insurances of which it has the benefit.
"NAVIOS CORPORATION CHARTER ASSIGAMENT" Means a first priority assignment, In the agreed form, executed (or as the context may require) to be executed by Navios Corporation in favour of the Security Agent in respect of all Charters or Contracts of Affreightment to which Navios Corporation is a = party.
"NAVIOS CORPORATION DNB OPERATING ACCOUNT" means the interest bearing dollar account of Navios Corporation held with DnB Nor Bank in New York With such account details as have been notified by the Borrower to the Agent.
"NAVIOS CORPORATION GUARANTEE" means the guarantee, in the agreed form, =xeuted or (as the context may require) to be executed by Navios
Corporation in favour of the security Agent.
"NAVIOS CORPORATION OPERATING AGCOUNT" means an interest bearing dollar account of Navios Corporation opened (or as the context may require) to be opened with the London branch of the Security Agent and decignated as the Navios Corporation Operating Account and includes any other account = designated in writing by the Agent to be a Navioc corporation operating. A. Account for the purposes of this Agreement.
"NAVIOS HANDYBULK ASSIGNMENT OF INSURANCES" means the assignment, in the agreed form, executed (or as the context may require) to be executed by Navios Handybulk Inc. in favour of the security Agent in respect of its rights under certain insurances of which it has the benefit.
"NAVIOS HANOYBULK CHARTER ASSIGAMENT" means a first priority assignment, in the agreed form, executed or (as the context may require) to be executed by Navios Handybulk Inc. in favour of the Which Navios Handybulk Inc. is a party.
"NAVIOS HANOYBULK OAB OPERATING AGGOUNT" means the interest bearing dollar account of Navios Handybulk Inc. held with DnB Nor Bank in New York.
"NAVIOS HANDYBULK GUARANTEE" means the guarantee, in the agreed form, executed or (as the context may require) to be executed by Navios Handybulk Inc. in favour of the security Agent.
"NAVIOS HANDYBULK OPERATING AGCOUNT" means an interest bearing dollar
account of Navios Handybulk Inc. opened or (as the context may require) to
be opened with the London branch of the security Agent and designated the
Navios Handybulk Operating Account and includer any other account
designated in writing by the Agent to be a Navios Handybulk Operating. Account for the purposes of this Agreement.
"NAVIOS INTERNATIONAL ASSIGNMENT OF INSURANGES" means the assignment, in
the agreed form, executed or (as the context may require) to be executed by Navios International Inc. In favour of the security Agent in respect of its rights under certain insurances of which it has the benefit.
"NAVIOS INTERNATIONAL CHARTER ASSIGNMENT" means a first priority assignment, in the agreed form, executed or (as the context may require) to be executed by Navios International Inc. in favour of the security Agent in Crespect of all charters or contracts of Affreightment to which Navios International Inc. is a party.
"AAVIOS INTERNATIONAL DAB OPERATING AGCOUNT" means the interest bearing dollar account of Navios International Inc. held with OnB Nor Bank in New York.
"NAVIOS INTERAATIONAL GUARANTEE" means the guarantee, in the agreed form, E executed or (as the context may require) to be executed by Navios
International Inc. in favour of the security Agent.
"NAVIOS INTERNATIONAL OPERATING AGCOUNT" means an interest bearing dollar account of Navios International Inc. opened or (as the context may require) to be opened with the London branch of the security Agent and designated = the Navios Internan designated in writing by the Agent to be a Navios International Operating Account for the purposes of this Agreement.) a Permited oisposal;
(b) an acquisition of securities which are Cash Equivalent Investments so long as those Gash Equivalent Investments become subject to the Transaction security as soon as is reasonably practicable;
(C) an acquisition of shares pursuant to a Permitted Share Issue:
(-(d) an acquisition of a Purchase option ship by a purchase option Subsidiary made in accordance with clause 23.43 (Purchase Option Subsidiaries) i
(e) the acquisition or formation of a Purchase option subsidiary or a Now Share Issue subsidiary provided that, in the case of a Purchase option subsidiary, prior to such acquisition or formation such Purchase Option subsidiary has not traded or incurred any liabilities of commitments (actual or contingent, present or future).

## (If) an acquisition by a Now share Issue subsidiary of a permited NSIS

## Asset;

# (.(.9.) an acquisition of an asset required for or relating to the core 

 Activities of the Borrow and which acquisition is entirelyor (in the case of a Permitted NSIS Asset only)lpartially funded out of the proceeds of a Permitted Share Issue and which:(i) is provided for in the Quarterly Budget; and

## (ii) when made would not result in a Default;

(h) the acquisition of the Additional Collateral Ships by the Additional Collateral Owners pursuant to the MOAs and the Purchase Option MOAs (as the case may be)ior trading of the disposing-entityi
(b) of any asset by a member of the Group (the "DISPOSING COMPANY") to (b) another member of the Group (the "ACQUIRING COMPANY"), but if:
(i) the Disposing company is an obligor, the Acquiring company must
(ii) the Disposing company had given security over the asset, the Acquiring company must give at least equivalent security over that asset; and

## Company must be a Security Provider ouaranteeing at all tim Company must be a security Provider guaranteeing at all times an

 amount no less than that guaranteed by the Disposing company;-> | (c) of assets (other than shares, the Jerminal, any Charter, any Material |
| :--- |
| Contract, businesses, Real Property or Intellectual Property) in |
| exchange for other assets comparable or superior as to type, value or |

(d) of obsolete or redundant vehicles, plant and equipment for cash;
(e) of Gash Equivalent Investments for cash or in exchange for other cash Equivalent Investments;
(If) constituted by a licence of intellectual property rights permitted by Clause 23.28 (Intellectual Property)i
(-.9.) to a Joint Venture, to the extent permitted by clause 23.9 (Joint ventures) i'
(h) arising as a result of any Permitted security;
(1) made with the prior written consent of the Agent;
(j) of an Existing Collateral Ship or an Additional Collateral Ship or any other Purchase Option Ship, provided that (i) the net proceeds arising from such disposal are not less than the amount specified in clause 8.1.4(b) or clause 8.1.5 (Total Loss/Sale) (as applicable) with reference to the resevant date of disposal (where, for the purposes of this paragraph (J.) the relevant date of disposal shall be the date of transfer of titile of the relevant Existing collaterat ship, Acurucuat Collateral Ship or Purchase Option Ship) and (ii) such proceeds are (applied in accordance with clause 8.1.4 or clause 8.1.5 (Totat Loss/sale) (as applicable);

(k) of any Purchase Option to a Purchase Option Subsidiary;

(1) of the Earnings, Insurances and Requisition Compensation of a Purchase option Subsidiary in so far as such disposal is required under the terms of any arrangements with a Third Party Financier;
(Im) of any permitted NSIS Asset (incIuding the Earnings, Insurances and =- Requisition Compensation of any New Share Issue Ship); and
(In) of assets (other than shares or receivables) for ash where the higher of the market value and net consideration receivable (when aggregated with the higher of the market value and net consideration receivable for any other sale, lease, licence, transfer or other disposal not allowe

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under the preceding_paragraphs or as a Permitted Transaction) does not exced US $\$ 7,500$, 000 (or its equivalent) in total during the term of this Agreement and does not exceed US $\$ 1,000,000$ (or its equivalent) in any Financial Year of the Borrower/
but it shall not be a Permitted Disposal:for any member of the Group to dispose of any shares in a Subsidiary (other than a New Share Issue Subsidiary) or for Navios Corporation to dispose of its shares in Acropolis Chartering \& Shipping Inc..
"PERMITTED DISTRIBUTION" means:
(-2) the payment of a lawful dividend to the Borrower or any of its wholly owned subsidiaries (provided that such wholly owned Subsidiary is not a Purchase Option Subsidiary or a New Share Issue Subsidiary) but if the company paying the dividend is a security provider the wholly owned subsidiary receiving the dividend must also be a security Provider; and

工(b) the payment of a lawful dividend by the Borrower to its shareholders provided that:
(土) an such dvinend shax dectared and distributed in retation to a Financial Quarter:
(ii) no such dividend shall be distributed during the Financial Year ending 31 December 2005 in respect of any Financial Quarter thereof;
iii) no dividend shall be declared in respect of the Financia Quarter ending 31 December 2005/, in excess of $\$ 3,000,000$;
(iv) no dividend shall be declared or distributed in respect of any of (A) the Financial Quarter ending 31 December 200501 (B) the first three Financial Quarters of the Financial Year ending- 31 December 2006, which, when aggregated with the dividend declared or distributed in relation to the other such Financial Quarters referred to in this paragraph (iv) shall be in excess of $\$ 12,000,000$ in agoregate, inclusive of the aggregate Relevant Amount (s) (if any) notified by the Borrower to the Agent pursuant to clause 8.1.8 (Total Loss/Sale) in relation to each such Financial Quarteri
(v) no dividend shall be declared or distributed in respect of any of (A) the Financial Quarter ending 31 December 2006 or (B) the first three Financial Quarters of the Financial Year ending 31 December 2007, which, when aggregated with the dividend declared or distributed in relation to the other such Financial Quarters reperred to in this paragraph ( $v$ ). shatl be in exeess of $\$ 12,000,000$ in aggregate, inclusive of the aggregate Relevant
(vii) at both the date of declaration and the date of payment of such dividend no Default shall have occurred and be continuing or would result from the payment of the proposed dividend; and

# (viii) ho less than 30 days before the proposed payment date, the 

 Borrower has provided to the Agent pro forma financial statements and such other information as the Agent may request showing. compliance with clauses 22.2.4 (Minimum Liquidity) and 8.1.8 (Total Loss/sale) at the proposed payment date and for the twe full Financial Quarters immediately following such proposed payment date. acquisition;(e) under finance or capital leases of vehicles, plant, equipment of computers, provided that the aggregate capital value of all such items so leased or financed under outstanding leases or finance transactions by members of the Group does not exceed US $\$ 1,000,000$ (or its equivalent in other currencies) at any time;
(f) incurred by a New Share Issue Subsidiary in connection with an acquisition permitted in accordance with clause 23.44.1 (New Share Issue subsidiaries)!
(9.) incurred in the exercise of a Purchase option in accordance with clause 23.43.2 (Purchase Option Subsidiaries)i,
(h) arising under any Permitted FFA; and
(i) not permitted by the preceding_paragraphs or as a Permitted Iransaction and the outstanding amount of which does not execed US $\$ 2,000,000$ (or its equivalent) in aggregate for the Group at any time.

## "PERMITTED GUARANTEE" Means:

(a) the endorsement of negotiable instruments in the ordinary course of trade;
(b) guarantees granted by a Security provider in respect of the

- obligations (not being Financial Indebtedness) of any other security provider under any contract entered into in the ordinary course of trade:
-(c) guarantees granted by a non security provider in respect of the
obligations (not being-rimacial Indebtedness) Of any other Grour member under any contract entered into in the ordinary course of trading;
(d) any guarante of a Joint Venture to the extent permitted by clause 23.9 (Joint ventures); $;$
(e)(e) any guarantee permitted under clause 23.21 (Financial Indebtedness);i
(f) any guarantee given in respect of the netting or set off arrangements permitted pursuant to paragraph (b) of the definition of permitted
$\qquad$
——(9.)_وwarantes comprising_Existing_Financial Indebtedness; or
(h) any guarantees granted in addition to those permitted under sub-paragraphs (a) to (.g.) above, of an aggregate amount not exceeding. US\$2,000,000.
so long as in the case of paragraph (b) above the creditor of such
Financial Indebtedness shall (if it is an obligor and has not already do=so pursuant to a Transaction security Document) grant security over itsrights in respect of such Financial Indebtedness in favour of the Lenderson terms acceptable to the Agent.
"PERMITTED NSIS ASSET" means a Now Share Issue Ship or any other asset or
assets required or relating to the core Activities:
(-a)- where the Borfower has provided the Agent with reasomable notice- ofits acquisition prior to such acquisition;
(b) the acquisition of which would not result in a Default
(c) where at least 20 per cent. Of the funding required for the =_ acquisition of such asset or assets is directly sourced from $t$proceds of a Permitted Share Issue by the Borrower and which havebeen directly on loaned to the relevant New share Issue Subsidiaryi"——been(d) where the balance of funding (over and above the funding referred toin paragraph (c) ) required for the acquisition of such asset or assetsin paragraph (c) ) required for the acquisition of such asset or assetsis not sourced from the Borrower or any other obligor.
"PERMITTED SEGURITY" Means
(a) any lien arising by operation of law and in the ordinary course of

trading (including any lien on a Ship for master's, officer's of crew's ouges outstanding in the ordinary course of trading, any lien for salvage and any ship repairer's or outfitter's possessory lien) and not as a result of any default or omission by any member of the Group in aggregate for a sum not exceeding US $\$ 1,500,000 ;$
(b) any netting or set off arrangement entered into by any member of the Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of members of the Group
but onlyso long as (i) such arrangement does not permit credit
balances of Obligors to be netted or set off against debit balances of members of the Group which are non security Providers and (ii) such arrangement does not aive rise to other security over the assets 0 obligors in support of liabilities of members of the Group which are (non-security Providers;
(C) any margin, netting or set off or other security arrangement arising out of any Permitted FFA or any Hedge Agreement;
(-d) any security or Quasi security over or affecting any asset acquired by a member of the Group after the date of this Agreement if:
(i) the Security or Quasi-Security was not created in contemplation
(ii) the principal amount secured has not been increased in
 member of the Group; and
( ( $\mathrm{i} i \mathrm{i}$ ) the security or Quasi security is removed or discharged within three months of the date of acquisition of stuch asset,
(e) any Security or Quasi-Security over or affecting any asset of any company which becomes a member of the Groulp after the date of this Agrement, where the security or Quasi security is created prior ter the date on which that company becomes a member of the Group; if of the acquisition of that company:-
$\overline{\text { (ii) the principal amount secured has not increased in contemplation }}$ of or since the acquisition of that company; and
(iii) the security or Quasi-Security is removed or discharged within
( $\overline{\text { iii) }}$ the Security or Quasi-Security is removed or discharged with
(f) any Security arising under any retention of title, hire purchase of conditional sale arrangement or arrangements having similar effect in respect of goods supplied to a member of the Group in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by any member of the Grotpr
(.9.) any Quasi-security arising as a result of a disposal which is a Permitted Disposal;
(h) any security or Quasi security arising as a consequence of any finance = lease permitted pursuant to paragraph (e) of the definition of "permitted Financial Indebtedness"
(i) any security arising under a standard form contract over goods, documents of title to goods and related documents and insurances and their proceeds, in each case in respect of documentary oredit transactions in the ordimary course of trade;
(j) any Security and any negative covenant for the benefit of a Third Party Financier granted by a Purchase option subsidiary in accordance with clause 23.43 (Purchase Qption subsidiaries) i-
(k) any Security and any negative covenant granted by a New Share Issue subsidiary for the benefit of a Third Party Financierio of
(I) any security securing indebtedness the outstanding principal amount of which (when aggregated with the outstanding-principal amount of ank other indebtedness which has the benefit of security given by any member of the Group other than any permitted under paragraphs (a) to (h) above) does not exceed US $\$ 1,500,000$ (or its equivalent in other currencies).
but in no case shall any security over any shares in a subsidiary of the Borrower or over any Account (other than the Excluded Existing-Accounts) any Charter (other than a Charter entered into by a New Share Issue Subsidiary or a Purchase Option Subsidiary where security has been granted, I in the case of a Purchase Option subsidiary, on a first priority basis or In the case of New Share Isste Subsidiary on any basis, to a Third Party Financier), the Terminal, any Material Contract (other than a Material Contract ontered into by a New share Issue subsidiary or a purchase Qption Subsidiary where security has been granted, in the case of a Purchase - Qption subsidiary on a first priority basis or, in the case of New Share Issue Subsidiary on any basis, to a Third Party Financier), any CNSA Asset Or any ouned ship (other than a Purchase Option Ship or a New Share Issue Ship) constitute a Permitted security other than any such security created under the Finance Documents.

## " "PERMITTED SHARE ISSUE" Meanc an issue of:

(a) shares by the Borrower to its shareholders, paid for in full in cash upon issue (provided that, for the purposes or this paragraph (a) the "Deseri sectrities on the basis described in the section haded this

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 Holding company where (i) (if the existing shares of the Subsidiary are the subject of the Transaction security) the newly issued shares also become subject to the Transaction security on the same termer, (ii) if the Subsidiary is a Security Provider then the Holding company must also be a security Provider and (iji) the Holding Company is not a Purchase Option subsidiary or a Now Share Issue Subsidiaryior(c) shares by the Borrower to any Seller as part of the purchase price of the MOA Ships payable to the relevant seller pursuant to the relevant MAAS.
"PERMITTED TRANSAGTION" means:
(a) any disposal required, Financial Indebtedness incurred, guarantee, indemnity or security or Quasi Security given, or other transaction =arising, under the Finance Documents;
 which is not an obligor so long as any payments or assets distribute as a result of such liquidation or reorganisation are distributed to -ather memberc of the cromi.
(c) transactions (other than the granting or creation of security or the incurring or permitting to subsist of Financial Indebtedness).
"PLAN" means at any time any employee benefit plan (as defined in section $3(3)$ Of ERISA) which is covered by ERISA and with respect to which the Borrower or any of its subsidiaries or any ERISA Affiliate is (or, if such - plan were terminated at such time, would under section 4069 of ERISA be三-deemed to be) an "employer" within the meaning of section 3(5) of ERISA.
"POLLUTANT" means and includes oil and its products, any other polluting, toxic or hazardous substance and any other substance whose release into the =Convironment is regulated or penalised by Envirommental Laws.
"PORT REPORTS" means the Uniconsult Universal Transport Consulting GmbH technical assessment of the Navios Grain Terminal Nueva Palmira, Uruguay dated 1 February 2005 and the Hughes and Hughes report in connection with the Navios Terminal at Nueva Palmira, Urugway dated 22 February 2005 each addressed to, and/or capable of being relied upon by, the Arranger and the other secured Parties.
"PURCHASE ORTION" means each of the options contained in certain of the charters listed in schedule 3.16 to the Acquisition Agreement pursuant to Which the members of the Group being_party to such charters have, either directly or through nominees, the right to purchase under certain terms and conditions the chartered ships relevant to such charters.
"PURCHASE ORTION MOA" means, in relation to an Additional collateral ship
-(other than a MOA Ship)-I each memorandum of agreement made or (as the
context may require) to be made between the relevant seller and the
relevant Additional Collateral Owner, in relation to the sale by the
 Owner, of such Additional collateral ship (other than a MOA Ship)- as such memorandum of agreement may be amended and/or supplemented from time to time with the prior written consent of the Agent (acting on the
instructions of the Majority Lenders) and "PURGHASE OPIION MOAS" means any Or all of them.
"PUHCHASE OPTION SHIP" means a Chartered Ship which is the subject of a Purchase Qption which has been exercised by its right ful owner and Consequently acquired by the relevant purchase option subsidiary.
" "PURGHASE OPTION SUBSIDIARY" means a member of the Group which is formed of acquired for the sole purpose of acquiring a Purchase option ship- other than a New Share Issue Subsidiary) but such entity shall only be a Purchase Option Subsidiary if (a) any amount remains owing to a Third Party

## "RELEVANT AMOUNT" means:

(a) in relation to each of (i) the Financial Quarter ending 31 December =2005 and (ii) the first three Financial Quarters of the Financial Year ending 31 December 2006 , an amount notified by the Borrower to the Agent in writing_pursuant to clause 8.1 .8 (Total Loss/Sale), which, When aggregated with the amounts so notified by the Borrower in respect of the precedingrinancial quarters referred to in this paragraph (a) shall not axceed \$3,000, 000 in aggregate; of
(b) in relation to each of (i) the Financial Quarter ending 31 December

2006 and (ii) the first three Financial Quarters of the Financial Year ending 31 December 2007, an amount notified by the Borrower to the Agent in writing_pursuant to clause 8.1.8 (Total Loss/Sale), which, When aggregated with the amounts so notified by the Borrower in respet of the preceding Financial Quarters referred to in this paragraph (b) shall not exceed $\$ 3,000,000$ in aggregate.
"RELEVANT INTERBANK MARKET" means the London interbank market.
"RELEVANT JURISOICTION" means, in relation to an Obligor:
(a) its jurisdiction of incorporation or establishment;
(b) any jurisdiction where any asset subject to or intended to be subject to the Transaction Security to be created by it is situated;
$\qquad$
(c) any jurisdiction where it conducts its business; and
(- (d) the jurisdiction whose laws govern the perfection of any of the Transaction Security Documents entered into by it.

## "RELEVANT PERIOD" has the meaning_given to that term in clause 22.1

 ( (Fimancial definitions)."RELEVANT VESSEL" means the ships and any other vessel operated, managed of crewed by any member of the Group.
"REPAYMENT DATE" means a Facility A Repayment Date or a Facility B = Repayment Date or a Facility $G$ Repayment Date or a Facility $D$ Repayment Date.
"REPAYMENT INSTALMENT" means in relation to a Facility, each repayment =instalment in respect of that facility due under clause-6-(Repayment):
"REPEATING REPRESENTATIONS" means each of the representations set out in
Clause 20.2 (Status) to clause 20.7 (Governing law and enforcement)
=(inclusive) clause 20.11 ( NO default) - clause 20.12 .7 ( No misleading I information) clause 20.13 .5 to clause 20.13 .7 (Original financia Statements), clause 20.19 (Ranking) to clause 20.21 (Legal and beneficial ownership), clause 20.27 (Acquisition Documents, disclosures and other Documents) and clause 20.31 (Pensions) to clause 20.36 (Anti Terrorism (Laws).
"REPORTS" means the Accountants' Report, the Charters and COAs Report, the Legal Due Diligence Report, the Insurance Report, the Port Reports, the Tax Report and the ISE Navios Merger Steps Paper.
"REQUISITION COMPENSATION" means, in respect of a Ship, all sums of money Or other compensation received from time to time by reason of the Compulsory Acquisition of such Ship.
"RESIGNATION LETTER" means a letter substantially in the form set out in ". Schedule 7 (Form of Resignation Letter).
"RETENTION AGCOUNT" means an interest bearing dollar accunt:
(a) held in Hamburg in the Federal Republic of Germany by the Borrower with the Agent or Security Agent;
"RETENTION AMOUNT" means, in relation to any Retention Date, such sum as
(a) one-third $((1) / 3 r d)$ of the Repayment Instalment falling due for payment pursuant to clause 6.1 (Repayment of Loans) (as the same may have been redued by any prepayment or any reduction of a Repayment Instalment in accordance with clauses $6.1 .5,6.1 .6$ and 6.1 .7 (Repayment of Loans).) on the next Repayment Date for the relevant toan after the relevant Retention Date; and
(b) the applicable fraction (as hereinafter defined) of the aggregate amount of interest falling due for payment in respect of each part of the relevant Loan during and at the end of each Interest period for such Loan current at the relevant Retention Date and, for this purpose, the expression "APPLICABLE FRACTION" in relation to each Interest Period shall mean a fraction having a numerator of one and a denominator equal to the number of Retention Dates falling within the relevant Interest Period for such Loan.
$\qquad$ "RETENTION DATE" means, in relation to each Facility and a Repayment Date the "RELEVANT REPAYMENT DATE") thereof (other than the last Repayment Da thereof), each of:
(a) the date falling ten(10) Business Days after the first day of the first month commencing immediately after the Relevant Repayment Date:
(b) the first day of the second month commencing immediately after the Relevant Repayment Date; and
(c) the first day of the third month commencing immediately after the Relevant Repayment Date,

## and "RETENTION DATES" Means any or all of them. For the purposes of this

 definition, a "Relevant Reparment Date" shall be deemed to be the relevan set date as specified in the relevant tables of clause 6.1 (Repayment of Loans), and Clause 30.7 (Business Days) shall not apply thereto.
# SECURITY REQUIREMENT means the amount in dollars (as certified by the 

 Agent whose certificate shall, in the absence of manifest error, be conclusive and binding on the parties) which, at any relevant time, is one hundred and twenty five per cent. (125\%) of the total amount of the Facility A Loan, the Facility C Loans and the Facility D Loans outstanding at such time."SECURITY VALUE" means the amount in dollars (as certified by the Agent whose certificate shall, in the absence of manifest error, be conclusive and binding on the parties) which, at any relevant time, is the aggregate Of ( $i$ ) the market value of the collateral ships as most recently determined In accordance with clause $23.53(b)$ and (ii) the market value of any additional security for the time being actually provided to the finance Parties pursuant to clause 23.53(2)(ii) as most recently determined in "acordance with clause 23.53(e).
"SELECTION NOTICE" means a notice substantially in the form set out in Part II of schedule 4 (Selection Notice) given in accordance with clause 11 $\overline{\text { (Interest Periods) in relation to a Facilityl. }}$
primary syndication of the Facilities has been completed.
"TANGIBLE NET WORTH" has the meaning_given to that term in clause 22.1
(Financial definitions).

## "IERMINAL" means the port, transfer and storage terminal for the Loading,

 unloading, transhipment, handling and storage of grain, soy beans$\qquad$
silos and equipment located at the relevant area), as the same may from time to time be further developed, refurbished, redesigned, expanded of improved.
"TERMINAL EARNINGS" means, in relation to the Terminal, all moneys
 of the Terminal.

## "TERMINAL ANSURANEE-PROGEEDS" has the meaning-given to it in clause 8.1

 (Total Loss/sale)."THIRD PARTY FINANCIER" means any bank or financial institution which - provides financing to a Purchase Qption Subsidiary or a New Share Issue Subsidiary for the purpose of:
(- a) financing the acquisition by a Purchase option subsidiary of at Purchase option shipio
(b) financing the acquisition of a Permitted NSIS Asset by a New Share Issue Subsidiary; Of
(c) refinancing the financing referred to in paragraphs (a) and (b).
"THIRD-PARTY INTERGREDITOR AGREEMENT" means an intercreditor agreement " and/or priority agreement entered into or (as the context may require) to be entered into between, among others, the securit Agent and a hlira party Financier in form and substance satisfactory to each Third Party Financier and the security Agent.
"TOTAL COMMITMENTS" means the aggregate of the Total Facility $A$
Commitments, the Total Facility B1 Commitments, the Total Facility B2 Commitments, the Total Facility B3 Commitments, the Total Facility -1 Commitments, the Total Facility C2 Commitments, the Total Facility C3 Commitments, the Total Facility C4 Commitments, the Total Facility C5 Commitments, the Total Facility 6 G Gommitments, the Total Facility 01 Commitments, the Total Facility D2 Commitments, the Total Facility D3 Commitments and the Total Facility D4 Commitments, being a maximum of US $\$ 649,000,000$ at the date of this Agreement.

## "TOTAL $D E B T$ " has the meaning_given to that term in clause 22.1 (finameial

 definitions)."TOTAL FAGILITY A COMMITMENTS" means the aggregate of the racility A Commitments, being US\$125,000,000 at the date of this Agrecment.
"TOTAL FAGILITY BI COAMMITMENTS" means the aggregate of the Facility BI Commitments, being US $\$ 175,400,000$ at the date of this Agreement.
"TOTAL FACILITY B2 COMMITMENTS" means the aggregate of the Facility B2 Commitments, being US\$40, 800,000 as at the date of this Agreement.
"TOTAL FACILITY B3 COMMITMENTS" means the aggregate of the Facility B3 Commitments, being US $\$ 93,800,000$ at the date of this Agreement.
"TOTAL FAGILITY G1 COMMITMENTS" means the aggregate of the Facility CI Commitments, being US $\$ 20,254,000$ at the date of this Agreement.
$\qquad$
commitments, being US\$18,000,000 at the date of this Agreement.
"TOTAL FACILITY D3 COMMITMENTS" means the aggregate of the Facility D3
Commitments, being US $\$ 16,900,000$ at the date of this Agreement.
"TOTAL FAGILITY D4 COMMITMENTS" means the aggregate of the Facility 04
Commitments, being US $\$ 20,550,000$ at the date of this Agreement.
"TOTAL LOSS" means:
(ii) the Compulsory Acquisition of such Shipion of

(iii) the hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation of such ship- (other than where the same ampunts to the compulsory Acquisition of such ship) by any Government Entity, or by persons acting-or purporting to act on behalf of any Government Entity, unless such Ship be released and restored to its relevant registered oumer from such hijacking, theft, condemmation, capture, seizure, arrest, detention or confiscation within 45 days after the occurrence thereof; and
(—) (b) in relation to the Terminal:
(i) the actual, constructive, compromised or arranged total loss of the Terminal; of
(ii) the Compulsory Acquisition of the Terminal andlor the other CNSA Assets or any of them; or
(iii) the confiscation of the Terminal andfor the other CASA Assets of any of them (other than where the same amounts to compulsory Acquisition) by any Government Entity unless the Terminal and/or the relevant CASA Assets are released and restored to CASA from such confiscation within ten days after the occurrence theroof; Or
(iv) the Lease is repudiated, suspended, cancelled or terminated for any reason what soever:

## "TRANSAGTION DOCUMENTS" means the Finance Documents, the Acquisition

[^5] being a Transaction Security Document in paragraph 3.4 of Part I of =.paragraph 2.1 Part II of schedule 3-(Gonditions Precedent) and any document =-required to be delivered to the Agent under paragraph 2 of part III of Schedule 3-(Conditions Precedent) together with any other document entered - into by any obligar creating or expressed to create any guarantee or any = security over all or any part of its assets in respect of the obligations Of any of the obligers under any of the finance Documents.
"TRANSFER GERTIFIGATE" means a certificate substantially in one of the forms set out in schedule 6-(Form of Transfer Certificates) or any other form agreed between the Agent and the Borrower.

# "VAT" means value added tax as provided for in the value Added Tax Act 1994 

 and any other tax of a similar nature and analogous taxes in any other relevant jurisdiction.
## "VENOORS" means the shareholders listed in exhibit A of the Acquisition

 Agreement."WAGHOVIA AGCOUNTS" means, together, the four interest bearing dollar =accounts of Navios Corporation held with Wachovia Bank, National Association in Connecticut as notified in writing by the Borrower to the Agent prior to the date of this Agreement.
"WACHOVIA DEPOSIT ACCOUNT CONTROL AGREEMENTS" means, together, the controI agreements, in the agreed form, executed or (as the context may require) to be executed by Navios Corporation, the Security Agent and Wachovia Bank National Association in respect of the Wachovia Accounts and "WACHOVIA DEPOSIT ACCOUNT CONTROL AGREEMENT" means any of them.
"WAGHOVIA DEPOSIT AGCOUNT SECURITY AGREEMENTS" means, together, the
security agrements, in the agreed form, executed or (as the context max ( require) to be executed by Navios Corporation in favour of the Security A. Agent in respect of the Wachovia Accounts and "WAGHOVIA DEPOSIT AGCOUNF SEGURITY AGREEMENT" means any of them.
"WORKING CAPITAL ACCOUNT" means an interest bearing dollar account of the Borrower, opene or (as the context may require) to be opened with the Security Agent in Hamburg and desigmated the Working Gapital Account and includes any other account designated in writing by the Agent to be a Working Capital Account for the purposes of this Agreement.
$\qquad$

### 1.2 CONSTRUCTION

1.2.1 Unless a contrary indication appears, a reference in this Agreement to:
(a) the "AGENT", the "ARRANGER", any "FINANCE PARTY", any "LENDER", any "OBLIGOR", any "PARTY", any "SECURED PARTY", any "SECURITY PROVIDER"'/ "OBLIGOR"' any "PARTY", any "SECURED PARTY", any "SECURITY PROVIOER"' include its successors in title, permitted assigns and permitted include its successors in title, permitted assigns and permitted
transferees and, in the case of the security Agent, any person for the transferees and, in the case of the security Agent, any perso accordance with the Finance Documents;
(b) a document in "AGREED FORM" is a document which is previously agreed in writing by or on behalf of the Borrower and the Agent or if not so agreed, is in the form specified by the Agent;
(- (c) "ASSETS" includes present and future properties, revenues and rights =of every description;
(d) "OISPOSAL" or "DISPOSE" means a sale, lease, licence, transfer or loan (but not including by way of loan of money) or other disposal by a - person of any asset, undertaking or business (whether by a volumtary or involuntary single transaction or series of transactions)

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ordinary operational business and not merely anything which that person is entitled to do under its Constitutional Documents;

(1) "PAY", "PREPAY" or "REPAY" in clause 23 (General Undertakings)includes by way of set off, combination of accounts or otherwise;
(—(m) a "PERSON" include any person, firm, company, corporation, = government, state or agency of a state or any association, trust of partnership (whether or not having separate legal personality) of twe or more of the foregoingi
(—(n) a "REGULATION" includes any regulation, rule, official directive, request or quideline (whether or not having the force of law but with which it is customary for companies undertaking similar activities to comply) of any governmental, intergovernmental or supranational body, agency, department or regulatory self-regulatory or other authority or organisation;
(Q) "RIGHTS" include all rights, whether actual or contingent, present or future, arising under contract or law, or in equity; meaning-given to such term under applicable lawi
(r) (i) to the "WINDING UP", "DISSOLUTION", or "ADMINISTRATION" of a person or (ii) to a "REGEIVER" or "ADMINISTRATIVE REGEIVER" of "ADMINISTRATOR" in the context of insolvency proceedings or security enforcement actions in respect of a person shall be construed so as to include any equivalent or analogous proceedings or any equivalent and analogous person or appointee (respectively) under the law of the jurisdiction in which such person is established or incorporated o any jurisdiction in which such person carries on business including (in respect of proceedings) the seeking or occurrence of liquidation, winding up, reorganisation, dissolution, administration, arrangement/, adjustment, protection or relief of debtors;
(-(s) "WHOLLY OWAED SUBSIOIARY" OF "WHOLLY OWNED SUBSIOIARY" has the meaning =- given to that term in section 736 of the Act;
(t) a provision of law is a reference to that provision as amended or re enacted:
(u) a time of day is a reference to central European time (CET); and
(V) words importing the plural shall include the singular and vice versa.
1.2.2 section, clause and schedule headings are for ease of reference only.
1.2.3 Unless a contrary indication appears, a term used in any other Finance

Document or in any notice given under or in connection with any rinance Document has the same meaning in that Finance Document or notice as in this Agrement.
1.2.4 A Default (other than an Event of Default) is "continuing" if it has not been remedied or waived and an Event of Default is "CONTINUING" if it has not been remedied or wived.

### 1.3 THIRD PARTY RIGHTS

1.3 .1 Unless expressly provided to the contrary in a Finance Document, a person Who is not a Party has no right under the contracts (Rights of Third Parties) Act 1999 (the "THIRD PARTIES ACT") to enforce or enjoy the benefit of any term of this Agreement.
1.3.2 Notwithstanding any term of any Finance Document, the consent of any person who is not a party is not required to rescind or vary this Agreement三 at any time.

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### 1.4 THE OFFER LETTER

In the event of any conflict betwen the terms of the offer letter and the terms of this Agrecment, the provisions of this Agreement shall prevail.

## Z THE FAGILITIES

## Z.1 THE FACILITIES

2.1.1 subject to clause 2.1.2 and the other terms of this Agreement, the Lenders make available:
(a) a dollar term loan facility in an aggregate amount equal to the Total Facility A Commitments;
(b) a dollar term loan facility in an aggregate amount equal to the Total Facility B1 Commitments;
(c) a dollar term loan facility in an aggregate amount equal to the Total Facility B2 Commitments;
2.1.2 In the event that the first utilisation under this Agreement has not occurred by 30 December 2005, then on 30 December 2005 .
(a) the Total Facility A Commitments shall be immediately reduced by $\$ 7,500,000$; and
(b) the Total Facility B1 Commitments shall be immediately reduced by $\$ 22,600,000 ;$ and
 $\$ 5,300,000 ;$ 2nd $\$ 12, \mathrm{OQO}, \mathrm{OQO}$
and the relevant Facilities shall thereafter be available for utilisation to the extent of such redued commitments, respectively. In the event of such reduction, each Lender's Available commitment in an Available Facility shall (as applicable) be reduced pro rata to its then Available Commitment in respect of such Available Facility.
2.1.3 Each Facility will be made available to the Borrower and paid to the Borrower or, if the Borrower so requests in the case of any Facility $C$ Loan Or any Facility D Loan, the relevant Loan may be paid directly to the relevant seller.
$\qquad$

### 2.2 FINANCE PARTIES' RIGHTS ANO OBLIGATIONS

### 2.2.1 The obligations of each Finance Party under the Finance Documents are

 several. Failure by arinance party to perform its obligations under theFinance Documents does not affect the obligations of any other party under the Finance Documents. No Finance Party is responsible for the obligations Of any other Finance Party under the Finance Documents.
2.2.2 The rights of each Finance party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance party from an obilgor shall be a separate and independent debt.
2.2.3 A Finance Party may, except as otherwise stated in the Finance Documents including clause 27.25 (All enforcement action through the security Agent), separately enforce its rights under the Finance Documents.

3 PURPOSE
3.1 PURPOSE
3.1.1 The Borrower shall apply all amounts borrowed by it under Facility $\Lambda$, Facility B1, Facility B2 and Facility B3 towards refinancing in full of the Existing HSH Debt. To the extent that any part of the Existing HSH Debt (the WORKING CAPITAL PORTION") had been borrowed by the Borrower for the =general corporate and working capital purpose of the Group and has not, as Of the first veilisation bate, been so applied by the Borrower and or the Group (whether because it is standing to the credit of the working Gapita Account (as defined in the Existing Loan Agreement) or otherwise) the Borrower shall ensure that a part of Facility 1 equal to the Working.
CGapital portion shat be used for general corporate and working capitat Fpurposes of the Group provided that such amounts are used to finance the Core Activities of the Group.
3.1.2 The Borrower shall apply all amounts borrowed by it under each of facility C1, Facility C2, Facility C3, Facility C4, Facility C5, Facility C6, Facility D1, Facility D2, Facility D3 and Facility D4 towards:
(- a) payment to the relevant seller of the purchase price of the Additionat Collateral Ship relevant to such Facility pursuant to the relevant Purchase Option MOA or the relevant MOA; and/or
(b) refinancing the Group's equity in such Additional Collateral ship.

### 3.2 MONITORING

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4 CONOITIONS OF UTILISATIOA

### 4.1 INITIAL CONDITIONS PRECEDENT

### 4.1.1 The Lenders will only be obliged to comply with clause 5.4 (Lenders'

### 4.2 FURTHER CONDITIONS PRECEDENT

The Lenders will only be obliged to comply with clause 5.4 (tenders' Utilisation Request and on the proposed Utilisation Date for such Loan:
(-a) no Default is continuing or would result from the making of the proposed Loan; and
 are true.
$\qquad$
(SECTION 3: UTILISATIOA

## 5 UTILISATIOA

### 5.1 DELIVERY OF A UTILISATION REQUEST

The Borrower may utilise a Facility by delivery to the Agent of a duly Completed Utilisution Request not later than the Specified Time.

### 5.2 COMPLETION OF A UTILISATION REQUEST

## Each Utilisation Request is irrevocable and will not be regarded as having

 been duly completed unless:(—a) it identifies the Facility to be utilised;
(b) the proposed Utilisation Date is a Business Day within the

Availability Period applicable to that Facility
(C) the currency and amount of the propesed Loan comply with clause 5.3 (Currency and amount ); and
(d) the proposed Interest Period complies with clause 11 (Interest Periods).

### 5.3 CURRENCY AND AMOUNF

5.3.1 Each Facility shall be borrowed in full, in one amount, in cash on its Utilisation Date and shall be applied in accordance with clause 3.1 =(Purpose).
5.3.2 The currency specified in a Utilisation Request must be dollars.

$$
\begin{aligned}
& \text { 5.3.3 The aggregate amount of the proposed Loans under Facility } A \text {, Facility B1/ } \\
& \text { Facility B2 and Facility B3 shall not exceed the lower of (a) } \$ 435,000,000 \\
& \text { and (b) the amount of the Existing HSH Debt outstanding on the Utilisation } \\
& \text { Date for such Facilities. }
\end{aligned}
$$

> 5.3.4 The amount of the proposed Loan of each Facility must be:
(a) for Facility $A$, an amount equal to US $\$ 125,000,000$ or, if less, the Available Facility for Facility A; Of

C(b) for Facility B1, an amount equal to US $\$ 175,400,000$ or, if less, the Available Facility for Facility B1; Of
(c) for Facility B2, an amount equal to US $\$ 40,800,000$ or, if less, the =- Available Facility for Facility B2; of
(d) for Facility B3, an amount equal to US $\$ 93,800,000$ or, if less, the Available Facility for Facility B3; or
 (ii) the amount in dollars which is equal to $68 \%$ of the marke of the Additional Collateral Ship relevant to Facility C1 (as determined by the valuation of such Ship obtained pursuant to clause 4.1 (Initial Conditions Procedent) and Part II of Schedule 3 (Conditions Precedent)) and (iii) the Available Facility for Facility C1; OF
(f) for Facility 62, an amount equal to the lower of (i) US\$21, 775, 000 and (ii) the amount in dollars which is equal to $68 \%$ of the market value of the Additional Collateral Ship relevant to Facility G2 (as determined by the valuation of such ship obtained pursuant to clause 4.1 (Initial Conditions Precedent) and Part II of Schedule 3 (Conditions Precedent)) and (iii) the Available Facility for Facility C2:-9F

[^7](ii) the amount in dollars which is equal to $68 \%$ of the market value of the Additional Collateral Ship relevant to Facility G5 (as
determined by the valuation of such Ship obtained pursuant to clause 4.1 (Initial Conditions Precedent) and Part II of Schedule 3
(conditions Precedent) ) and (iii) the Available Facility for facility C5; OF
(.j) for Facility C6, an amount equal to the lower of (i) US $\$ 19,695,000$ and (ii) the ampunt in dollars which is equal to $68 \%$ of the market value of the Additional collateral ship relevant to Facility of (as determined by the valuation of such Ship obtained pursuant to clause 4.1 (Initial Conditions Precedent) and Part II of schedule 3 C6; OF
(K) for Facility DI, an amount equal to the lower of (i) US\$26, 550, 0 and and (ii) the amount in dollars which is eqwal to $64 \%$ of the market value Of the Additional collateral ship relevant to facility 01 (as determined by the valuation of such ship obtained pursuant to clause
4.1 (Initial Conditions Procedent) and Part II of schedule-3 (Gonditions Procedent) $)$ and (iii) the Available Facility for Facility D1; OF
(1) for Facility D2, an amount equal to the lower of (i) US $\$ 18,000,000$ and (ii) the amount in dollars which is equal to $64 \%$ of the market value Of the Additional Collateral Ship relevant to Facility D2 (as
determined by the valuation of such ship obtained pursuant to clause 4.1 (Initial conditions Procedent) and Part II of schedule - 3
(Conditions Precedent) and (iii) the Available Facility for Facility (Condit

(ii) the amount in dollars which is equal to $64 \%$ of the market value
of the Additional Collateral Ship relevant to Facility D3 (as
determined by the valuation of such Ship obtained pursuant to clause
4. 1 (Initial Gonditions Precedent) and Part II of schedule - 3
(Conditions Precedent)) and (iii) the Available Facility for Facility D3; - 0 F
(n) for Facility D4, an amount equal to the lower of (i) US $\$ 20,550,000$ and (ii) the amount in dollars which is equal to $64 \%$ of the market value of the Additional Collateral ship relevant to Facility D4 (as determined by the valuation of such ship obtained purstrant to clause 4.1 (Initial Conditions Precedent) and Part II of Schedule 3 (Conditions Precedent)) and (iii) the Available Facility for Facility -D4.

### 5.4 LENDERS' PARTICIPATION

5.4.1 If the conditions set out in this Agreement have been met, each Lender 5.4.1 shall make its participation in each Loan available by the relevant Utilisation Date through its Facility Office.
5.4.2 The amount of each Lender's participation in each Loan will be equal to the proportion borne by its Available Commitment to the Available Facility In respect of the Facility under which such Loan is to be made immediately =prior to making such Loan.
5.4.3 The Borrower irrevocably authorises and directs the Agent to remit the ——proceeds of each Loan as follows:
(a) in the case of a Loan to be applied for refinancing the Existing HSH Debt, to such account of the Agent (in its capacity as agent under the Existing Loan Agreoment) as specified by the Borrower in the relevant Utilisation Request and agreed by the Agent;
(—— $\overline{\text { ( }}$ in the case of a Loan or part thereof to be applied in financing the acquisition of an Additional collateral Ship, to such account of the Seller of such Additional Collateral Ship as specified by the Borrower in the relevant Utilisation Request; and
(c) in the case of a Loan or part thereof to be applied in refinancing the Group's equity in an Additional Collateral Ship, to such account of the Borrower as specified by it in the relevant Utilisation Request,
and the Borrower acknowledges that such payments by the Agent that are not made directly to the Borrower shall constitute the making of a Loan to the Borrower by the Lenders (and the Agent shall obtain a good discharge "thereof upen receipt in the relevant bank accounts).

### 5.5 LIMITATIONS ON UTILISATIONS

Save as otherwise expressly agreed between the Lenders and the Borrower:
5.5 .1 each of facility A, Facility B1, Facility B2 and facility B3 shall be utilised simultancouslyi and

### 5.5.2 no other Facility shall be utilised unless each of Facility 1 , Facility

 B1, Facility B2 and Facility B3 have already been utilised.5.6 HEDGE TRANSACTIONS
5.6.1 The Borrower undertakes with each of the Finance parties that it shall by no later than the date specified in the Hedge Strategy Letter delivered by the Borrower to the Original Hedge Counterparty in accordance with clause 4.1 (Initial conditions precedent), enter into such interest rate hedging Etransactions as are required in the Hedge Strategy Letter so as to limit I- its exposure under this Agreement to interest rate fluctuations.
5.6 .2 Any swap or hedging transaction or instrument shall be entered into on the basis of a Hedge Agreement and pursuant to the strategy set out in the Hedge Strategy Letter and shall be concluded (a) with the original Hedge Counterparty and/or (b) with any other Hedge counterparty and/or (c) with the prior written consent of the Lenders, with any other counterparty, Provided however that no such tramsaction or instrument shall be coneluded Or entered into by the Borrower with a counterparty other than the original Hedge Counterparty, unless the Borrower shall have first given the Original Hedge counterparty the opportunity to make an offer for the same or an = equivalent transaction or instrument and (i) the original Hedge
Counterparty has declined or failed to provide such an offer (in full or - for any part thereof, as the case may be) or (ii) the original Hedge Counterparty has made such an offer and the Borrower (acting reasomably). Chas declined the offer of the original Hedge counterparty.
$\square$

| PAGILITY A |
| :--- |
| REPAAYMENT DATE INSTALMENT (US\$) |


| 31 December 2005 | 7,500,000 |
| :---: | :---: |
| 31 March 2006 | 1,798,500 |
| 30 June 2006 | $1,798,500$ |
| 30 september 2006 | 1,798,509 |
| 31 December 2006 | 1,798,500 |
| 31 March 2007 | $1,798,500$ |
| 30 June 2007 | 1,798,500 |
| 30 september 2007 | 1,798,500 |
| 31 December 2007 | 1,798,500 |
| 31 March 2008 | 1,798,500 |
| 30 June 2008 | 1,798,500 |
| 30 september 2008 | 1,798,500 |
| 31 Dember 2008 | 1,798,500 |
| 31 March 2009 | 1,798,500 |
| 30 June 2009 | 1,798,500 |
| 30 September 2009 | 1,798,500 |
| 31 Dember 2009 | 1,798,500 |
| 31 March 2010 | 1,798,500 |
| 30 June 2010 | 1,798,500 |
| 30 September 2010 | 1,798,509 |
| 31 December 2010 | 1,798,500 |
| 31 March 2011 | 1,798,500 |
| 30 June 2011 | 1,798,500 |
| 30 september 2011 | 1,798,509 |
| 31 December 2011 | 1,798,500 |
| 31 March 2012 | 1,798,500 |
| 30 June 2012 | 1,798,500 |
| 30 september 2012 | 1,798,500 |
| 31 December 2012 | 1,798,500 |

$\qquad$

FACILITY A REPAYMENT
REPAYMENT DATE INSTALMENT (US\$)

| 31 March 2013 | 798,500 |
| :---: | :---: |
| 30 June 2013 | 1,798,500 |
| 30 september 2013 | 1,798,500 |
| 31 December 2013 | 1,798,509 |
| 31 March 2014 | 1,798,500 |
| 30 June 2014 | 1,798,500 |
| 30 September 2014 | 1,798,500 |
| 31 December 2014 | 1,798,509 |
| 31 March 2015 | 1,798,500 |
| 30 June 2015 | 1,798,500 |
| 30 september 2015 | 1,798,509 |
| 31 December 2015 | 47,358,500 |

6.1.2 The Borrower shall repay the aggregate Facility B Loans in instalments by repaying an ach Facility B Repayment Date the amounts set out opposite that facility B Repayment Date below in relation to each relevant facility:

| FAGILITY B | REPAYMENT INSTALMENT | (USS |  |  |
| :--- | :--- | :--- | :--- | :--- |
| REPAYMENT DATE | FACILITY | B1 | FACILITY | B2 |
| FACILITY B3 |  |  |  |  |


| FAGILITY B |  |  |  |
| :---: | :---: | :---: | :---: |
| REPAYMENT DATE | FACILITY B1 | FACILITY B2 | FACILITY B3 |
|  |  |  |  |
| 30 June 2010 - $5,457,143$ 1, 267, 858 2, 917,858 |  |  |  |
| 30 September 2010 - $5,457,143$ 1, 267, 858 $2,917,858$ |  |  |  |
| 31 December 2010 - $5,457,143 \quad 1,267,858 \quad 2,917,858$ |  |  |  |
| 31 March 2011 - 5, 457,143 1, 267, 858-2, |  |  |  |
|  |  |  |  |
| 30 September 2011 - $5,457,143$ 1, 267, 858 $2,917,858$ |  |  |  |
| 31 December 2011 - $7,457,143$ 1,267,858 2, 917,858 |  |  |  |
| 31 March 2012 5-457,143 1, 267, 858 |  |  |  |
| $\frac{30 \text { June } 2012}{30}$ September $2012 \quad 5, \frac{457}{457}, \frac{143}{143}-1, \frac{267}{267}, \frac{858}{858} \quad 2, \frac{917}{917}, \frac{858}{858}$ |  |  |  |
|  |  |  |  |
| 31 Deember 2012 5,457,139 1,267,834 2, 917, 834 |  |  |  |



6.1.4 The Borrower shall repay the aggregate Facility $D$ Loans in instalments by
repaying on each Facility $D$ Repayment Date the amounts set out opposite
that Facility $D$ Repayment Date below in relation to each relevant Facility:

| ITY |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| PREPAYMENT DATE FAGILITY D1 FAGILITY D2 FAGILITY D3 FAGILITY D4 |  |  |  |  |
|  |  |  |  |  |
| 31 March 2006 454,500 |  | 537,500 | 552,778 | 522,000 |
| 30 June 2006 | 454,500 | 537,500 | 552,778 | 522,000 |
| 30 September 2006 | 454,500 | 537,500 | 552,778 | 522,000 |
| 31 December 2006 | 454,500 | 537,500 | 552,778 | 522,009 |
| 31 March 2007 | 454,500 | 537,500 | 552,778 | 522,000 |
| 30 June 2007 | 454,500 | 537,500 | 552,778 | 522,000 |
| 30 September 2007 | 454,500 | 537,500 | 552,778 | 522,000 |
| 31 December 2007 | 454,500 | 537,500 | 552,778 | 522,000 |


| FAGILITY D | REPAYMENT INSTALMENT (US\$). |
| :--- | :--- |
| REPAYMENT DATE FAGILITY D1 FAGILITYY D2 FAGILITY D3 FAGILITY D4 |  |



| 31 March 2013 | 329,500 | 412,500 | 427,778 | 397,000 |
| :---: | :---: | :---: | :---: | :---: |
| 30 June 2013 | 329, 500 | 412,500 | 427,778 | 397,009 |
| 30 September 2013 | 329,500 | 412,500 | 427,778 | 397,000 |
| 31 December 2013 | 329,500 | 412,500 | 427,778 | 397,000 |
| 31 March 2014 | 329, 500 | 412,500 | 427,778 | 397,009 |
| 30 June 2014 | 329,500 | 412,500 | -427,778 | 397,000 |
| 30 September 2014 | 329,500 | 412,500 | 427,778 | 397,000 |
| 31 December 2014 | 329,500 | 412,500 | 427,770 | 397,000 |
| 31 March 2015 | 329,500 | 412,500 | O/N/A | 397,009 |
| 30 June 2015 | 329,500 | 412,500 | O/N/A | 397,009 |
| 30 September 2015 | 329,500 | 412,500 | O/N/A | 397,000 |
| 31 December 2015 | 12,199, 500 | 412,500 | O/N/A | 567,000 |

[^8]
### 6.1.8 The Borrower may not re-borrow any part of a Facility which is repaid.

## 6. 2 EFFECT OF GANGELLATION AND PREPAYMENT ON SCHEDULED REPAYMENTS

6.2.1 If the Borrower cancels the whole or any part of the Commitment of a LLender under any racility in accordance with clause 7.4 (Right of =cancellation and repayment in relation to a single Lender) or if the Commitment of any Lender under any Facility is reduced under clause 7.1 (Illegality), then the amount of the Repayment Instalments of the relevant Facility for each Repayment Date thereof falling after that cancellation will reduce pro rata by the amount cancelled.
6.2.2 If the Borrower cancels the whole or any part of the commitments under any Facility in accordance with clause 7.2 (Voluntary cancellation), then the I amount of the Repayment Instalments of the relevant Facility for each (Repayment Date thereof falling after that cancellation will reduce in inverse chronological order by the amount cancelled.
6.2.3 If any Loan is prepaid in accordance with clause 7.4 (Right of
cancellation and repayment in relation to a single Lender) or clause 7.1 =(ancellation and repayment in relation to a single Lender) or clause 7.1 = (Illegality), then the amount of the Repayment Instalments of the relevant Facilice for each Repayment Date theroof falling after that
6.2.4 If any Loan is prepaid in accordance with clause 7.3 (Voluntary prepayment Of Loans) 8.1 .6 (Total Loss/Sale) or clause 8.3 (Application of mandatory三-prepayments), then the amount of the Repayment Instalments of the relevant Facility for each Repayment Date thereof falling after that prepayment will reduce in inverse chronolegical order by the amount of the relevant Loan —prepaid.

## 7 ILLEGALITY, VOLUNTARY PREPAYMENT AND GANGELLATION

### 7.1 ILLEGALITY

If it bocomes unlawful in any applicable jurisdiction for a Lender to "perform any of its obligations as contemplated by this Agreement or to fund, issue or maintain its participation in any Loan:
7.1.1 that Lender, shall promptly notify the Agent upon becoming aware of that event;
7.1.2 upon the Agent notifying the Borrower, the commitment of that Lender will be immediately cancelled; and

[^9] (any applicable grace period permitted by law).

### 7.2 VOLUNTARY CANCELLATION

### 7.3 VOLUNTARY PREPAYMENT OF LOANS

7.3.1 Subject to clause 7.3.3 the Borrower may, if it gives the Agent not less than ten Business Days' prior notice, prepay the whole or any part of a Loan (but, if in part, being an amount that reduces the amount of that Loan (by a minimum amount of US $\$ 1,000,000)$.

\section*{| 7.3.2 A Loan may only be prepaid after the last day of the Availability period |
| :--- |
| of the relevant facility (or if earlier, the day on which the applicable |} Available Facility is zero).

7.3.3 Any voluntary prepayment shall be applied in reducing the Repayment

Instalments in respect of Facility 1 , Facility C1, Facility C2, Facility C3, Facility C4, Facility C5, Facility C6, Facility D1, Facility D2,
$\qquad$ such facilities have been prepaid in full, in reducing the Repayment Instalments of Facility B1 and, when Facility B1 has been prepaid in full in reducing the Repayment Instalments of Facility B2 and, when Facility B2 has been prepaid in full, in reducing the Repayment Instalments of facility B3. Such voluntary prepayments of the Facilities shall be applied against the relevant Repayment Instalments in accordance with clause 6.2.4 (Effec of cancellation and prepayment on scheduled repayments).
7.4 RIGHT OF CANCELLATION AND REPAYMENT IN RELATION TO A SINGLE LENDER

### 7.4.1 If:

(a) any sum payable to any Lender by an obligor is required to be increased under clause 14.2.3 (Tax gross-up)ior


7.4.2 on receipt of a notice referred to in clause 7.4 .1 in relation to a Lender, the commitments of that Lender shall immediately be reduced to zero.
7.4.3 On the last day of each Interest Period for a Loan which ends after the Borrower has aiven if earlier, the date specified by the Borrower in that
52
notice), the Borrower shall repay that Lender's participation in that Loan notice), the Borrower shall repay that Lender's participation in that Loo Documents.

### 7.5 MANBATORY GANCELLATIOA

If a facility is not utilised by the last day of the Availability Period for that Facility, the relevant Facility shall then be immediately Cancelled.

## 8 MANDATORY PREPAYMENT

8.1 TOTAL LOSS/SALE
8.1.1 For the purposes of this clause 8.1 and clause 8.2:
"COLLATERAL SHIP INSURANGE PROGEEDS" means the proceeds of any insurance claim received in relation to any collateral ship by any member of the Group and after deducting any reasonable expenses in relation to that claim which are incurred by any member of the Group to persons who are not members of the Group-
"TERMINAL INSURANCE PROGEEDS" means the proceds of any insurance claim received in relation to the Terminal by any member of the Group and after C deducting any reasomable expenses in relation to that claim which are incurred by any member of the Group to persons who are not members of the Group.
8.1.2 On the date falling 120 days after that on which a collateral Ship (other than a Second Security Collateral Ship) became a Total Loss or, if earlier, On the date upon which the collateral Ship Insurance proceeds in respect of Such Total Loss are, or Requisition Compensation is, received by the
relevant collateral owner (or the security Agent or as the case may be the Secured Parties, pursuant to the relevant Transaction Security Documents)
(Cas the case may be), the Borrower shall prepay to the Agent for the
account of the Lenders an amount equal to any collateral Ship Insurance

- Proceeds or any Requisition compensation (as the case may be) or 1 in the

hagher than the relevant Gollateral ship Insurance proceeds or Requisition Compensation), the amount specified in the table below opposite the name-of the relevant collateral Ship by reference to the actual date of the Total Loss:


|  |  |  |  |
| :---: | :---: | :---: | :---: |
| 29,066,918 | 675 21, 315,740 | 924,599 15,017,90 | 111,216 |
| Aavios Herakles 29, 930,597 | 27, 436,381 21, 949, 105 | ,457,202 15, 464, 14 | 471,082 |
| Alvios Hios $32,521,635$ | 29, 811, 499 23, 849, 19 | 20,055,008 16, 802, 84 | 2, 550,681 |
| Navios Ionian 29,066,918 | 26, 644, 675 21, 315, 74 | $17,924,599 \quad 15,017,90$ | 12,111,216 |
| Navios Kypros 32,521,635 | 29,811, 499 23, 849, 199 | 20, $055,008 \quad 16,802,845$ | 3, 550,681 |
| Navios Meridian $29,683,832$ | 27,210, 179 21, 768, 14 | $18,305,030-15,336,64$ | 2,368, 26 |
| vios Mercator 30, 331,59 | 27, 803, 959 22, 243, 16 | $8,704,481 \quad 15,671,32$ | 2 |
| Navios Arc $32,048,668$ | 29, 377, 945 23, 502,356 | $19,763,345 \quad 16,558,47$ | $13,353,61$ |
| Navios Horizon $28,665,924$ | 26, 277, 097 21, 021, 678 | $17,677,320 \quad 14,810,72$ | 11, 944,135 |
| vios Galaxy $31,359,78$ | 28,746,466 22, 997,17 | 10,338,531 16,202,55 | 13, 066,575 |
| Aavios Magellan 30,331,591 | 27, $303,959 \quad 22,243,167$ | 18,704,481 15,671,322 | 12,638, 163 |
|  |  |  |  |





| Hibra II $9,274,270$ | 8,852,712 | 8,431,154 | 8,009,596 | 7,588,039 |
| :---: | :---: | :---: | :---: | :---: |
| Navios Gemini S 8 8,633,365 | 8,240, 939 | 7,848,513 | 7,456,088 | 7,063,662 |
| Navios Felicity 10, 974,552 | 10,475,709 | 9, 976,866 | 9,478, 022 | 8,979,179 |


| in each case in the manner contemplated by clause 8.3 (Application of |
| :--- |
| mandatory prepayments). |

8.1.3 On the date falling 120 days after that on which a second security Collateral Ship became a Total Loss or, if earlier on the date upon which the Collateral Ship Insurance Proceds in respect of such Total Loss are, Or Requisition compensation is, received by the relevant collateral owner ( (or the Security Agent or, as the case may be, the secured parties,
——pursuant to the relevant Transaction Security Documents) (as the case may
be), the Borrower shall prepay to the Agent for the account of the Lender the amount specified in the table below by reference to the actual date of the Total Loss:

YEAR TOTAL LOSS OGGURS PREPAYMENT AMOUNT (US\$).

| 2005 | $7,000,000$ |
| :---: | :---: |
| 2006 | 7,000,000 |
| 2007 | $7,000,000$ |
| 2008 | 4,000,000 |
| 2009 | 4,000,000 |
| 2010 | $4,000,000$ |
| 2011 | 1,500,000 |
| 2012 | 1,500,000 |
| 2013 | NiI |
| 2014 | Nit |
| 2015 | Nix |

8.1.4 In the event that an Existing Collateral Ship or an Additional Collateral Ship is sold or is otherwise disposed of (in accordance with the terms of Clause 23.16 (Disposals) ) then on the date on which such a collateral ship is disposed of, the Borrower shall prepay an amount equal to the higher of:
(-2) the market value of such collateral ship (as most recently calculated pursuant to valuations obtained in accordance with clause 23.37 (Valuation of Owned Ships) and/or 23.53 (b) (Security value
=-maintenance)-i- and
(b) the amount specified in the table below opposite the name of the relevant collateral ship with reference to the relevant date of disposal (where, for the purposes of this clause 8.1.4, the relevant date of disposal shall be the date of transfer of title of the relevant collateral Ship: 54

YEAR DISPOSAL OCCURS
Collateral Ship $2005 \quad 2006 \quad 2007 \quad 2008 \quad 2010$

Anvios Achilles $29,930,597 \quad 27,436,381,21,949,105 \quad 18,457,202 \quad 15,464,142 \quad 12,471,082$ Navios Apollon $29,066,918 \quad 26,644,675 \quad 21,315,740 \quad 17,924,599 \quad 15,017,908 \quad 12,111,216$ Navios Herakles $29,930,597 \quad 27,436,381 \quad 21,949,105 \quad 18,457,202 \quad 15,464,142 \quad 12,471,082$ Alvios Hios $\quad 32,521,635-29,811,49-23,849,199 \quad 20,055,008 \quad 16,802,845 \quad 13,550,681$ Navios Ionian $29,066,918 \quad 26,644,675 \quad 21,315,740 \quad 17,924,599 \quad 15,017,908 \quad 12,111,216$
 Alvios Meridian $29,683,832 \quad 27,210,179 \quad 21,768,143 \quad 18,305,030 \quad 15,336,646 \quad 12,368,263$ Alavios Mercator $30,331,591 \quad 27,303,959 \quad 22,243,167 \quad 18,704,481 \quad 15,671,322 \quad 12,638,163$






 Alvios Felicity 20 , 030 207 27
Gollateral Ship $20112012 \quad 20132$




 Navios Kypros $11,924,59911,382,57210,840,54510,298,518 \quad 2,756,490$ Navios Meridian $10,884,072 \quad 10,389,341 \quad 9,894,611 \quad 9,399,880 \quad 8,905,150$ avios Mercator $11,121,583 \quad 10,616,057 \quad 10,110,530 \quad 9,605,004 \quad 9,099,47$ Anvios Arc $11,751,178 \quad 11,217,034 \quad 10,682,88910,148,745 \quad 9,614,600$

Aavios Horizon $10,510,839 \quad 10,033,073 \quad 1,555,308 \quad 9,077,543 \quad 8,599,777$

 $\frac{\text { Alegria }}{} \quad 13, \frac{115}{274}, \frac{928}{270} \frac{12}{8}, \frac{519}{852}, \frac{750}{712} \quad 11, \frac{923}{431}, \frac{571}{154} \frac{11}{8}, \frac{327}{080}, \frac{393}{596} \frac{10}{7}, \frac{731}{588}, \frac{214}{030}$ Albra II Navios Felicity $10,074, \frac{552 \quad 10}{2}, 475, \frac{709 \quad 9}{7}, 976,866 \quad 9,478,022 \quad 8,979,179$
in each ease in the manner contemplated by clause 8.3 (Application of Mandatory Prepayments).
8.1.5 In the event that a second security collateral ship is sold or is
(Disposals) then on the date on which such Second Security Collateral Ship is disposed of, the Borrower shall prepay the amount specified in the table below by reference to the actual date of the disposal (where for purposes Of this clause 8.1.5 the relevant date of disposal shall be the date of transfer of title of the relevant second Security Collateral Ship):

YEAR TOTAL LOSS OGCURS PREPAYMENT AMOUNT (US\$)

| 2005 | $7,000,000$ |
| :---: | :---: |
| 2006 | $7,000,000$ |
| 2007 | 7,000,000 |
| 2008 | 4, 0000,000 |
| 2009 | - $1,000,000$ |
| 2010 | 4, OOO, 0 OQ |
| 2011 | $1,500,000$ |
| 2012 | 1,500,000 |
| 2013 | Nit |
| 2014 | NiI |
| 2015 | NiI |

in each case in the manner contemplated by clause 8.3 (Application of Mandatory Prepayments).
8.1.6 If the Terminal ( $(i)$ becomes a Total Loss or (ii) suffers damage or is involved in an incident which in the opinion of the Agent may result in the Terminal subsequently becoming a Total Loss (each such event being a "TERMINAL EVENT"), the Borrowe shall, on the date falling 120 days after that on which the Terminal suffered such damage or became a Total Loss of was involved in such incident (as the case may be) or, if earlier, on the date upon which the Terminal Insurance proceeds in respect of such damage Or, as the case may be, Total Loss are received by CNSA (or the security Agent pursuant to the relevant Transaction Security Documents) (as the ase - may be) prepay to the Agent for the account of the Lenders an amount equal to ton prent of the Autstanding - Funt the "TEPMTAAL PREPAYMEAT AMOLAT") The TOrminol Properment Ameun Shall be paid in the following instalments: (2) an immediate payment of an instalment being the higher of (i) $\mathbf{= 1 \text { (2) per }}$ Insurance Proceeds paid in respect of the relevant Terminal Event (the Insurance proceeds paid in respect of
(b) to the extent that the amount paid as the Immediate prepayment Amount pursuant to (a) above is less than the Terminal Prepayment Amount, the difference will be paid to the Agent for the account of the Lenders in equal instalments over the remaining tenor of the Facility B2 Loan (the "INSTALMENT PREPAYMENT AMOUNTS"). Payments of any Instalment Prepayment Amounts will fall due on each Facility B Repayment Dater shall be made in addition to the racility B repayment amount then alling due under clause 6.1 .2 (Repayment of Loans) in respect of Facility B2 and shall be applied in inverse chronological order against each Repayment Instalment falling due after the making of such
Instalment Prepayment Amount (as provided in clause 6.2.4)-
8.1.7 For the purposes of clauses 8.1.2, 8.1.3 and 8.1.6 above, a Total Loss shall be deemed to have occurred:
(a) in the of an actual total loss of a collateral ship on the actual date and at the time such collateral Ship was lost or, if such date is not known, on the date on which a collateral ship was last reported;
(b) in the case of a constructive total loss of a collateral ship, upop the date and at the time notice of abandonment of such collateral Ship is given to the insurers of such collateral ship for the time beingir
(c) in the case of a compromised or arranged total loss of a collateral Ship, on the date upon which a binding agreement as to such compromised or arranged total loss has been entered into by the
(d) in the case of Compulsory Acquisition of a collateral ship or the Terminal and/for the other CNSA Assets, on the date upon which the relevant requisition of title or other compulsory acquisition occurs;
(e) in the case of hijacking, theft, condemmation, capture, seizure, arrest, detention or confiscation of such collateral ship (other than where the same amounts to Compulsory Acquisition of such Collateral Ship) by any Government Entity, or by persons purporting to act on
"behalf of any Government Entity, Which deprives the relevant
Collateral owner of the use of such Collateral ship for more than 60 days, upon the expiry of the period of 60 days after the date upon which the relevant hijacking, theft, condemnation, capture, seizure, arrest, detention or confiscation ocurred;
(f) in the case of an actual total loss of the Terminal on the actual date =- and at the time the Terminal was lost;
( (.9) in the case of a constructive total loss of the Terminal, upon the date and at the time notice of abandonment of the Terminal or notice that the Terminal is not ecomomic to repair or reinstate is given to The insurers of the Terminal for the time being.i
Any preparment made under this clause 8.1.8 (Total Loss/sale) shall be
(Cin each case) of the total Loans under Facility A, Facility B1, Facility B2 and racility B3 outstanding at such time. Any such prepayment shall be inverse chronological order until Facility B1 has been prepaid in full and thereafter, shall be applied in reducing the Repayment Instalments in = respect of Facility B2 and Facility B3 in inverse chronological order (and = respect of facility B2 and Facility B3 in inverse chronolegical order (and = pro rata as between Facility B2 and Facility B3 until such two Facilities have been repaid in full and, thereafter, shall be applied in reducing the Repayment Instaments Facility G3, Facility 64 , Facility 65 , Facility 66 , Facility D1, Facility D2, Facility D3 and Facility D4 in inverse chronological order (and pro (rata as betwen such Facilities).

### 8.1.11 If either of the circumstances in clauses 8.1 .9 and/or 8.1 .10 apply but

the Borrower has procured the replacement of the relevant purchase option
 (Cas determined by the Agent, acting reasomably, but taking inte
consideration the terms of the relevant Purchase option or charter and the -.proposed replacement(s).) within 60 days-of (a) the date the purchase option FWould otherwise have been exercised or on the final date when the relevant Purchase option was stated as being capable of exercise (in the case of a Purchase option) or (b) the date of withdrawal or termination (in the cas of a chartered ship or charter) then no such prepayment pursuant to clause 8.1 .9 and/or 8.1 .10 shall be required provided that in each case the Borrower has provided full details (to the satisfaction of the Agent acting reasonably) relating to such replacement 5 Business Days prior to the date a preparment would otherwise be required to have been made under clauses 8.1 .9 andfor 8.1 .10 in the absence of any adequate replacement. 8.2 DISPOSAL PROCEEDS, INSURANCE PROCEEDS AND AGQUISITION PROCEEDS
8.2.1 For the purposes of this clause-8.2. clause 8.3-(Application of mandatory prepayments) and clause 8.4 (Retention Account and Holding Account mandatory prepayment):
"AGQUISITION ADJUSTMENT PROGEEDS" means any amount that may fall due from the Vendors to the Borrower under section $B(\underline{b})$ of schedule 2.2 of the Acquisition Agreement.

# (b) any Tax incurred and required to be paid by a member of the Group-(as 

 reasonably determined by the relevant member of the Group on the basis of existing rates and taking into account any available creditdeduction or allowance)
In each case in relation to that Recovery Claim (such proceeds net of such deductions being "NET PROCEEDS" of such Recovery Claim)/-

Cexcept for Excluded Acquisition Proceds.

"DISPOSAL PROGEEDS" means the consideration receivable by any member of the Group (including any amount receivable in repayment of intercompany debt) for any disposal made by any member of the Group and after deducting:
(b) any Tax incurred and required to be paid by the seller (as reasonably letermined by the seller, on the basis of existing rates and taking account of any available credit, deduction or allowance)consideration receivable net of such deductions being "NET PROCEEDS" of -such disposal)
"except for Excluded Disposal Proceeds.
For the purposes of this definition of Disposal Proceeds:
"CONSIOERATION REGEIVABLE" shall, in addition to consideration directly attributable to such disposal, include any amount owing to and set off by the relevant purchaser that does not relate to such disposal.


## (-b) in relation to a Recovery Clain not being an excluded Recovery Claim:

(i) if the Borrower gives written notice to the Agent of its intention to apply the net proceds of the relevant Recovery Claim in a permitted application prior to the date falling 15 business Days after receipt of such net proceds, those net proceeds of that Recovery claim are then applied, or legally committed to be applied (under a binding contract subject only to conditions typical for contracts of such type) within three months after the date of such receipt (or, where so committed to be applied, are then actually so applied within six months after the date of such receipt) in a permitted application (and, in Acauisition Proceeds received for the purplied will be deemed to be Acquisition proceeds received for the purposes of clause 8.3.2 (Application of mandatory prepayments) at the end of the applicable three or six month period, as the case may be); of
ii) where no such notice is given, those net proceeds of the relevant Recovery Claim which are applied within five Business Days of receipt in a permitted application (and such net proceds not so the purposes of clawse 8.3 .2 (Applicition Proceds received for he purposes of clause 8.3 .2 (Application of mandatory prepayments) at the end of such five Business Days period),

$$
\begin{aligned}
& \text { provided that if the Borrown has made a payment or payments in } \\
& \text { respect of a cost or loss the subjicct of an insurance claim and }
\end{aligned}
$$ proceds received in connection with such claim are used to compensate for a permitted application which has already been made then the amount of such proceeds received shall be deemed to have been applied at the date of receipt to the extent of the compensated permitted application.

For the purposes of this definition of Excluded Acquisition Proceeds PERMITTED APPLICATION" means at any time when no Default has occurred and =is continuing any proceds of a Recovery Glaim which are applied:

## (a) to satisfy (or reimburse a member of the Group which has discharged)

 any liability, charge or claim upon a member of the Group by a perso which is not a member of the Group; of(b) in the replacement, reinstatement and/or repair of assets of members - of the Group which have been lost, destroved or damaged; of
(c) in compensating any member of the Group for any liability or loss
(including loss of tax relief) or to make good any shortfall in assets (including loss of tax relief
in each case as a result of the events or circumstances giving rise to that Recovery Claim.
"EXGLUOED DISPOSAL PROGEEDS" Means:

## (a) the proceds of a disposal as is reforred to in paragraphs (a) (b) (b)

 $\bar{Z}(\underline{c})_{-1}(\underline{e}) \%$ (h) $\quad$ (i) (to the extent such disposal relates to an owned Ship)- (j) (I) or (m) of the definition of Permitted Disposal or a disposal of an asset with a book value and market value of less than US $\$ 500$, 000 (or its equivalent in other currencies) which in the case f paragraphs (a) to (i) and (.J.)(to the oxtent it relates to an Existing Collateral Ship or an Additional Collateral Ship) of the definition of Permitted Disposal are received when no Default has occurred and is continuing-(each an "EXCLUOED DISPOSAL")-ior(b) in relation to a disposal not being_(a) an excluded disposal or (b) the disposal of a Collateral Ship:
(i) if the Borrower gives the Agent written notice of its intention to reinvest the net proceeds of that relevant disposal in a - permitted application prior to the later of ( $x x$ ) the date which ISfive Business days after the date of that relevant disposal of (. $\mathrm{y} y)$ the receipt of such proceeds, those net proceeds of that relevant disposal are then applice, or legally committed to b applied (under a binding contract subject only to conditions typical for contracts of such type)- within three months after the date of that relevant disposal (or where so committed to be applied, are then actually so applied within six months after the date of that relevant disposal) in a permitted application (and) in each case, such net proceds not so applied will be doemed to be Disposal Proceeds received for the purposes of clause 8.3.2 (Application of mandatory prepayments) at the end of the
(ii) where no such notice is given, those net proceeds of that elevant disposal which are applied within five Business Days ollowing the later of (xx) date of that relevant disposal of yy) the receipt of such proceeds, in a permitted application (and such net proceeds not so applied will be deemed to be Disposal proceds received for the purposes of clause 8.3.2 (Application of mandatory preparments) at the end of such five Business Days period).
 PrRMITT and is continuing in respect of a disposal of an asset or intellectual
 in the in the acquisition by a member of the Group (being a security provider
 be) intellectual property right similar in type and of comparable superior value and quality to that asset or (as the case may be).
$\qquad$

## "EXGLUOED INSURANGE PROGEEDS" means:

(a) the Collateral Ship Insurance Proceeds;
(—— $\underline{\text { b }}$ the Terminal Insurance Proceds;
(c) the net proceeds of an insurance claim which are less than US $\$ 500,000$ $=$ (or its equivalent in other currencies)i-
(d) the proceeds of an insurance claim relating to business interruption or loss of profit onlyi-
(1e) the proceds of an insurance clain relating to any purchase option Ship owned by any Purchase Option Subsidiary;
( $\ddagger$ ) the proceds of an insurance claim relating to any New Share Issue Shipr apply the proceeds of the insurance claim in accordance with any lease of any Real property (then only to the extent that it is so required and does so apply such proceds).


### 8.3 APPLICATION OF MANDATORY PREPAYMENTS

8.3 .1 A prepayment made under clauses 8.1 (Total Loss/sale) or 8.2 (Disposal Proeds, Insurance proceds and Acquisition Proceds) shall be applied in "prepayment of the Loans as contemplated in clauses 8.3.2 to 8.3.5.

### 8.3.2 unless the Borrower makes an election under clause 8.3.4, it shall prepay

 Loans at the following times:(a) in the case of any-prepayment relating to an amount received under $\overline{\text { clauses } 8.1 .2 \text { to } 8.1 .6} \frac{8.1 .8 t 0-8.1 .10(\text { Total Loss/sale }) \text { and }}{23.53(a)(i)(\text { Security }}$
8.3.3 save as provided in clauses 8.1 .6 (b) 1 8.1.8, 8.1.9, 8.1.10 (Totat
$\qquad$
relevant definition of Excluded-Acquisition-Proceeds, Excluded Disposal Proceeds or Excluded Insurance Proceeds), relevant proceeds in respect of which the Borrower has not complied with clause 8.4.1(a) shall be paid into the Holding Account.
8.4.2 The Borrower irrevocably authorises the Agent to apply:
(—(a) amounts credited to the Retention Account; and
(b) amounts credited to the Holding Account which are intended to be used for a permitted application within a specified period (as set out in Disposal Proceds or Excluded Insurance Proceeds) but which are not se used within the relevant specified period, (or such longer time period as the Agent may agree)-
to pay amounts due and payable under clauses 8.1 (Total Loss/Sale), 8.2 (Disposal Proceeds, Insurance Proceeds and Acquisition Proceeds) and 8.3 =(Application of mandatory prepayments) and otherwise under the Finance =-Documents. The Borrower further irrevocably authorises the Agent to so apply amounts credited to the Holding Account whether or not the relevant Specified period has exapsed if a default has occurred and is continuing. = ane Credited to the Holding Account referred to in this clause 8.4.2 to the Retention Account pending-payment of amounts due and payable under the Finance Documents (but if all such amounts have been paid any such amounts ( remaining eredited to the Retention Account may (unless a Default has (occurred) be transferred back to the Holding Account).
8.4.3 The Security Agent or Agent with which the Retention Account, the Working. Gapital Account and/or the Holding Account is held acknowledges and agrees that (i) interest shall accrue at normal commercial rates on amounts credited to those accounts and that the account holder shall be entitled to receive such interest (which shall be paid in accordance with the mandate relating to stuch account) unless a Default is continting and (ii) each such account is subject to the Transaction Security. None of the Finance Parties Shall have any responsibility to any member of the Group for any loss Occasioned as a consequence of the application of the amounts credited to I those accounts prior to the last day of any deposit period, where such application is permitted by the terms of the Finance Documents.

### 8.5 EXGLUOED PROGEEDS

Where Excluded Acquisition Proceeds, Excluded Disposal Proceeds and Excluded Insurance Proceeds include amounts which are intended to be used for a permitted application within a specified period as set out in the E- relevant definition of Excluded Acquisition Proceeds, Excluded Disposat Proceeds or Excluded Insurance Proceeds), the Borrower shall ensure that certificate to the Agent at the time of such application and at the end of such period confirming the amount (if any) which has been so applied within the requisite time periods provided for in the relevant definition.

## 9 RESTRICTIONS

## 9. 1 NOTIGES OF CANGELLATION OR PREPAYMENT

- Any notice of cancellation or prepayment given by any party under clause 7 (Illegality, Voluntary Prepayment and cancellation) or clause 8 (Mandatory Prepayment) shall be irrevo able and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that
cancellation or prepayment.


### 9.2 INTEREST AND OTHER AMOUNTS

Any prepayment under this Agreement shall be made together with accrued I- interest on the amount prepaid and, subject to any Break costs, without premium or penalty.

### 9.3 NO REBORROWING OF FAGILITIES

The Borrower may not re borrow any part of a Facility which is prepaid. 63

## 9. 4 PREPAYMENT IN AGGORDANGE WITH AGREEMENT

The Borrower shall not repay or prepay all or any-part of the Loans of cancel all or ant part of the commitments except at the times and in the manner expressly provided for in this Agreement.

### 9.5 NO REINSTATEMENT OF COMMITMENTS

No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.

### 9.6 AGENT'S REGEIPT OF NOTICES

If the Agent receives a notice under clause 7 (Illegality, Voluntary Prepayment and Cancellation) or clause 8 (Mandatory Prepayment) it shall三- promptly forward a copy of that notice to either the Borrower or the affected Lender (s), as appropriate.
9. 7 NOTICE OF PREPAYMENT TO LENQERS

The Agent shall notify the Lenders as soon as possible of any proposed prepayment of any Loan under clause 7.3 (Volumtary prepayment of Loans), 8.1 (Total Loss/sale) or 8.2 (Disposal Proceds/, Insurance Proceds and (Acquisition Proceeds).

## 10 INTEREST

### 10.1 GALCHLATION OF INTEREST

Subject to clause 10.2 (Alternative calculation of interest), the rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

### 10.1.1 Margin;

## 10.1 .2 LIBOR; and

10.1.3 Mandatory Cost, if any.

### 10.2 ALTERNATIVE CALCULATION OF INTEREST

Should all the Lenders agree to an interest period in excess of 12 months Ppursuant to clause 11.1.4 (selection of Interest Periods and Terms), the Crate of interest on the relevant Loan for such Interest period shall be the ㅡ﹎ percentage rate per annum which is the aggregate of the applicable:

### 10.2.1 Margin; ane

10.2.2 the rate notified by the Agent to the Borrower as the appropriate cost of funds agreed by all the Lenders and the Agent.

## 10.3-PAYMENT OF INTERESI

The Borrower shall pay accrued interest on each Loan on the last day of each Interest Period (and, if an Interest Period is longer than six months, On the dates falling at six monthly intervals after the first day of such
10.4 DEFAUL INTEREST
10.4.1 If the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall acerue on the overdue amount from the due date up to the date of actual payment (both before and after ( judgment) at a rate which, subject to clause 10.4.3, is two per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non payment, constituted a Loan in the currency Of the overdue amount for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 10.4 shall be immediately payable by the Borrower on demand by the Agent.

10.4.2 For the avoidance of doubt, any overdue amount which is not a Loan shall acerue interest as if such amount was a Loan for successive Interest P- Periods, each of a duration selected by the Agent (acting reasomably) at the rate equal to two per cent. plus the applicable Margin. | 10.4.3 If any overdue amount consists of all or part of a Loan which became due |
| :--- |
| on a day which was not the last day of an Interest period relating to that | Loan:

(a) the first Interest Period for that overdue amount shall have a
duration equal to the unexpired portion of the current Interest period duration equal to Loan; and
(b) the rate of interest applying to the overdue amount during that first Interest Period shall be two per cent. higher than the rate which would have applied if the overdue amount had not become due.
10.4.4 Default interest (if umpaid) arising on an overdue amount will be
compounded with the overdue amount at the end of each Interest Period
Iapplicable to that overdue amount but will remain immediately due and =-payable:

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### 10.5 NOTIFIGATION OF RATES OF INTEREST

The Agent shall promptly notify the Lenders and the Borrower of the determination of a rate of interest under this Agreement.

11 INTEREST PERIODS

### 11.1 SELEGTION OF INTEREST PERIOOS AND TERMS

11.1.1 The Borrower may select an Interest Period for a Loan in the Utilisation Request for that Loan or (if the Loan has already been borrowed) in a Selection Notice.
11.1.2 Each Selection Notice for a Loan is irrevocable and must be delivered to the Agent by the Borrower not later than the Specified Time.
11.1 .3 If the Borrower fails to deliver a selection Notice to the Agent in accordance with clause 11.1.2, the relevant Interest Period will, subject To clause 11.2 (changes to Interest Periods), be one month.
11.1.4 subject to this clause 11, the Borrower may select an Interest Period of one, three, six or twelve months or any other period agreed between the Borrower and the Agent (acting on the instructions of the Lenders).
11.1.5 An Interest Period for a Loan shall not extend beyond the last Repayment Date applicable to its Facility. 11.1.6 Each Interest Period for a Loan shall start on the Utilisation Date of
that Loan or (if already made) on the last day of its preceding Interest Period.
11.1 .7 Prior to the earlier of 30 Jume 2000 and the Syndication Date, Interest Periods shall be one month or such other period as the Agent and the

| Periods shall be one month or such other period as the Agent and the |
| :--- |
| Borrower may agree and any Interest Period which would otherwise end durine | Zthe calendar month preceding or extend beyond the syndication pate shall end on the Syndication Date.

[^10]B3, respectively, of this Agreement. At the request of the Borrower, the the Existing Facilities Agreement) of the Existing HSH Debt shall apply to "their "corresponding" Facility A Loan and Facility B Loans (as the case may =be) as from the first Utilisation Date, and the Interest periods in respect of each such Loan shall be determined accordingly. At the end of such Interest Periods, the normal interest rate fixing_provisions of this Agreement shall apply to such Loans.

### 11.2 CHANGES TO INTEREST PERIODS

11.2 .1 Prior to determining the interest rate for a Loan, the Agent may shorten
an Interest Period for any Loan to ensure there are sufficient Loans (with an Interest period for any Loan to ensure there are sufficient Loans (with I an aggregate amount equal to or greater than the relevant Repayment Instalment) which have an Interest Period ending on a relevant Repayment = Date for the Borrower to make the Repayment Instalment due on that date.
11.2.2 If the Agent makes any of the changes to an Interest period referred to in this clause 11.2, it shall promptly notify the Borrower and the Lenders.
$\qquad$

### 11.3 NON BUSINESS BAYS

If an Interest period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is (not)!

## 12 CHANGES TO THE GALCULATION OF INTEREST

### 12.1 ABSENGE OF QUOTATIONS

## Subject to clause 12.2 (Market disruption), if LIBOR is to be determined by

 I reference to the Reference Banks but a Reference Bank does not supply $a$ quotation by the Specified Time on the Quotation Day, the applicable LIBOR shall be determined on the basis of the quotations of the remaining. Reference Banks.
### 12.2 MARKET DISRUPTION

12.2.1 If a Market Disfuption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on each Lender's share of that Loan for the Interest Period shall be the rate per annum which is the sum of:

## (a) the Margin;

(—b) the rate notified to the Agent by that Lender as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in that Loan from whatever source it may reasomably select; and
(c) the Mandatory Cost, if any, applicable to that Lender's participation in the Loan.

### 12.2.2 In this Agreement "MARKET DISRUPTION EVENT" means:

(a) at or about noon on the Quotation Day for the relevant Interest period LIBQR is not available and none or only one of the Reference Banks " supplies a rate to the Agent to determine LIBOR for the relevant currency and Interest Period; or
(b) before close of business in London on the Quotation Day for the relevant Interest Period, the Agent receives notifications from a Lender or Lenders (whose participations in a Loan exceed 33(1)/3 per cent. of that Loan) that the cost to it of obtaining matching deposits in the ReIevant Interbank Market wulde in excess of LIBOR.

### 12.3 ALTERNATIVE BASIS OF INTEREST OR FUNDING

12.3.1 If a Market Disruption Event occurs and the Agent or the Borrower so requires, the Agent and the Borrower shall enter into negotiations (for a = period of not more than 15 days) with a view to agreeing a substitute basis ——or determining the rate of interest.
12.3.2 Any alternative basis agreed pursuant to clause 12.3 .1 shall, with the - prior consent of all the Lenders and the Borrower, be binding on all ——Parties.

### 12.4 BREAK COSTS

12.4.1 The Borrower shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break costs attributable to all or any三- part of a Loan or Unpaid Sum being-paid by the Borrower on a day other than The last day of an Interest Period for that Loan or Unpaid Sum.
12.4.2 Each Lender shall, as soon as reasonably practicable after a demand by the Agent, provide a certificate confirming the amount of its Break costs for any Interest Period in which they accrue.

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## 13 FEES

13.1 COMMITMENT FEE
13.1 .1 The Borrower shall pay to the Agent (for the account of each Lender) a commitment fee in dollars computed at the rate of:
(a) 0.45 per cent. per annum on that Lender's Available commitment under Facility 61 for the period from 19 December 2005 to the earlier of (i) the Utilisation Date relating to Facility C1 and (ii) the end of the Availability Period applicable to Facility C1;
(b) 0.45 per cent. per annum on that Lender's Available commitment under Facility C2 for the period from 19 December 2005 to the earlier of (i) the Utilisation Date relating to Facility C2 and (ii) the end of the Availability Period applicable to Facility G2;

# (d) 0.45 per cent. per annum on that Lender's Available Commitment under 

 Facility 64 for the period from 19 December 2005 to the earlier of (i) the Utilisation Date relating to Facility 64 and (ii) the end of the Availability Period applicable to Facility-64;(e) 0.45 per cent. per annum on that Lender's Available commitment under Facility 65 for the period from 10 December 2005 to the earlier of (i) the Utilisation Date relating to Facility 65 and (ii) the end of the Availability Period applicable to Facility C5;

(If) $\frac{0.45}{\text { Facillity cent. per for anmum-on that Lender's Available commitment under }}$ Facility 66 for the period from 19 December 2005 to the earlior of (i) the Utilisation Date relating to Facility $C 6$ and (ii) the end of the Availability Period applicable to Facility Co;

(.9) 0.45 per cent. per annum on that Lender's Available Commitment under Facility 01 for the period from 19 December 2005 to the earlier of (i) the Utilisation Date relating to facility $D 1$ and (ii) the end of the Availability Period applicable to Facility 01;
(h) 0.45 per cent. per annum on that Lender's Available Commitment under Facility 02 for the period from 19 December 2005 to the earlier of (i) the Utilisation Date relating to Facility 02 and (ii) the end of the Availability Period applicable to Facility D2; (i) 0.45 per cent. per annum on that Lender's Available commitment under Facility D3 for the period from 19 December 2005 to the earlier of (i) the Utilisation Date relating to Facility $D 3$ and (ii) the end of the Availability Period applicable to Facility D3; and
(.j) 0.45 per cent. per annum on that Lender's Available commitment under Facility 04 for the period from 19 December 2005 to the earlier of ( $i$ ) the Utilisation Date relating to Facility 04 and (ii) the end of the
13.1.2 The accrued commitment fee referred to in clause 13.1 .1 shall be payable 든 respect of each Facility (a) on the earlier of (i) the Utilisation Date for the relevant facility and (ii) 31 March 2006 , and (b) on the last day of the Availability Period for the relevant Facility and on the cancelled amount of the relevant Lender's commitment at the time the cancellation is Ceffective.

> 13.2 ARRANGEMENT AND RESTRUCTURING FEE

The Borrower shall pay to the Arranger (for its own account) an arrangement and restructuring fee in the amount and at the times agreed in the Fee Letter.

### 13.3 UNOERWRITING-FEE

The Borrower shall pay the Arranger (for its own account) an underwriting fee in an amount and at the times agreed in the Fee Letter.
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SEGIION 6: ADOITIONAL PAYMENT OBLIGATIONS

## 14 TAX GROSS UP AND INDEMNITIES

### 14.1 DEFINITIONS

### 14.1.1 In this Agreement:

" "PROTEGTED PARTY" means a Finance Party which is or will be subject to any liability or required to make any payment for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the =-purposes of Tax to be received or receivable) under a Finance Document.
"TAX CREDIT" means a credit against, relief or remission for, or repayment of any Tax.
"TAX DEDUCTION" means a deduction or withholding for or on acount of Tax from a payment under a Finance Document.
"TAX PAYMENT" means either the increase in a payment made by an obligor to a Finance Party under clause 14.2 (Tax gross up) or a payment under clause 14.3 (Tax indemnity).

Unless a contrary indication appars, in this clause 14 a reference to "DETERMINES" or "DETERMINED" means a determination made in the absolute discretion of the person making the determination.

### 14.2 TAX GROSS UP

14.2.1 The Borrower shall procure that each obligor shall make all payments to ㄹ be made by it without any Tax Deduction, unless a Tax Deduction is required =by law.
14.2.2 The Borrower shall promptly upon becoming aware that an obligor must make a Tax Deduction (or that there is anychange in the rate or the basis of at FTax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If the Agent receives such notification from a Lender it shall notify the Borrower and that obligor.
14.2.3 If a Tax Deduction is required by law to be made by an obligor, the Borrower shall procure that the amount of the payment due from that obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.
14.2.4 The Borrower shall procure that if an obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment Prequired in connection with that Tax Deduction within the time allowed and I. in the minimum amount required by law.
14.2.5 Within thirty days of making either a Tax Deduction or any payment
required in connection with that Tax Deduction, the Borrower shall procure that the obligor making that Tax Deduction shall deliver to the Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as (applicable) any appropriate payment paid to the relevant taxing authority.

### 14.3 TAX INDEMNITY

- pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly of Indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document.


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### 14.3.2 clause 14.3 .1 shall not apply:

(a) with respect to any Tax assessed on a rinance Party:

> (i) under the law of the jurisdiction in which that finance party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance party is treated as resident for tax purposes; of

## (ii) under the law the jurisdiction in which that finane-party=s

 facility Office is located in respect of amounts received of receivable in that jurisdiction, received or recoivable lut not anyem ar receivable) by that Finance Party; of
(b) to the extent a loss, liability or cost is compensated for by an increased payment under clause 14.2 (Tax gross up).

# 14.3.3-A Protected party making, or intending to make a claim under clause 

 14.3.1 shall promptly notify the Agent of the event which will give, or has =given, rise to the claim, following which the Agent shall notify the Borrower.14.3.4 A Protected party shall, on receiving a payment from an obligor under this clause 14.3, notify the Agent.

### 14.4 TAX GREDII

If an Obligor makes a Tax Payment and the relevant Finance Party determines that:
14.4.1 a Tax Credit is attributable either to an increased payment of which that Tax Payment forms part or to that Tax Payment; and

## 14.4 .2 that rinance party has obtained, utilised and retained that Tax credit,

the Finance party shall pay an amount to the obliger which that Finance - position is it wavid have been in had the Tax parment not been required ter be made by the obligor.

### 14.5 STAMP TAXES

The Borrower shall pay and, within three Business Days of demand, indemnify each secured Party against any cost, loss or liability that secured Party incurs in relation to all stamp duty, stamp duty land tax, registration and other similar Taxes payable in respect of any Finance Document.

### 14.6 VALUE ADOED TAX

### 14.6.1 All amounts set out, or expressed to be payable under a Finance Document

 by any party to a Finance party which (in whole or in part) constitute the consideration for VAT purposes shall be deemed to be exclusive of any VAIwhich is chargeable on such supply, and accordingly, subject to clause
14.6.3, if VAT is chargeable on any supply made by any Finance Party to any =-party umder a-inance Document, the Borrower shatlo procure that that party Shatl pay to the rnance party- in addition to and at the same time as paying the consideration) an amount equal to the amount of the VAT (and such Finance party shall promptly provide an appropriate vat invoice to such party).

### 14.6.2 If VAT is chargeable on any supply made by any Finance Party (the

 "SUPPLIER") to any other Finance Party (the "RECIPIENT") under a Finance Document, and any party-(the "RELEVANT PARTY") is required by the terms of Zany Finance peument to par an amount equal to the concideration for such supply to the Supplier (rather than being required to reimburse the Recipient in respect of that consideration) the Borrower shall procure rat The Recipient will promptly pay to the Relevant Party an amount equal to any credit or repayment from the relevant tax authority which it reasomably determines relates to the VAT chargeable on that supply.
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\begin{aligned}
& \text { 14.6.3 Where a rinance ooument requires any party to reimburse a finance party } \\
& \text { for any costs or expenses, the Borrower shali procure that that party shaly } \\
& \text { also at the same time pay and indemnify the relevant finance party against } \\
& \text { all VAT incurred by such rinance party in respect of the costs or expenses } \\
& \text { to the extent that the relevant finance party reasomably determines that } \\
& \text { neither it nor any other member of any group of which it is a member for } \\
& \text { VAT purposes is entitled to credit or repayment from the relevant tax } \\
& \text { V authority in respect of the VAT. } \\
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### 15.1 INGREASED COSTS

15.1.1 Subject to clause 15.3 (Exceptions) the Borrower shall, within three Business Days of a demand by the Agent, pay for the acount of a finance Party the amount of any Increased costs incurred by that finance Party or any of its Affiliates as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or =regulation or (ii) compliance with any law or regulation made after the date of this Agreement.

### 15.1.2 In this Agreement "INGREASED COSTS" means:

(-2) a reduction in the rate of return from a Facility or on a Finance Party's (or its Affiliate's) overall capital;
to the extent that it is attributable to that Finance Party having entered into its commitment or funding or performing its obligutions under ank Finance Document.

### 15.2 INGREASED COST GLAIMS

15.2.1 A Finance Party intending to make a claim pursuant to clause 15.1 ( Increased costs) shall notify the Agent of the event giving rise to the Claim, following which the Agent shall promptly notify the Borrown.
15.2.2 Each Finance Party shall, as soon as practicable after a demand by the Agent, provide a certificate confirming the amount of its Increased costs.

### 15.3 EXCEPTIONS

15.3 .1 Clause 15.1 (Increased costs) does not apply to the extent any Increased Cost is:
(a) attributable to a Tax Deduction required by law to be made by an Obligor:
 indemnity) applied)
(C) compensated for by the payment of the Mandatory cost; of
(d) attributable to the wilful breach by the relevant Finance party or its Affiliates of any law or regulation.
15.3 .2 In this clause 15.3 reference to a "TAX DEDUGTION" has the same meaning. "given to the term in clause 14.1 (Definitions).

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## 16 OTHER INDEMNITIES

### 16.1 CURRENCY INPEMNITY

16.1.1 If any sum due from an 0bligor under the Finance Documents (a "SUM"), or any order, judgment or award given or made in relation to a sum, has to be converted from the currency (the "FIRST CURRENCY") in which that sum is =payable into another currency (the "SECOND CURRENGY") for the purpose of:
(a) making or filing a claim or proof againct that obligorior
(b) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings/,

The Borrower shall (and shall procure that the relevant obligor shall) as an independent obligation, within three Business Days of demand, indemnif the Security Agent and each other secured Party to whom that Sum is due agaimst any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that sum from the First currency into the second currency and (B) the rate or rates of exchange available to that person at the time of = its receipt of that sum.
16.1.2 The Borrower waives (and shall procure that any relevant obligor waives). any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.
16.1.3 The Borrower shall indemnify the Agent for any cost or loss suffered by the Agent in effecting the conversion into the Denominated currency in (accordance with clause 19.1.4 (Accounts).

### 16.2 OTHER INQEMNITIES

16.2.1 The Borrower shall (or shall procure that an obligor shall), within three Business Days of demand, indemnify the Arranger and each other secured Party against any cost, loss or liability incurred by it as a result of:
(a) the occurrence of any Event of Default;
(b) a failure by an obligor to pay any amount due under a rinance Documen on its due date, including any cost, loss or liability arising as a result of clause 29 (Sharing Among the Finance Parties):
(C) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone)i;

I_(d) a Loan (or part of a Loan) not being-prepaid in accordance with a notice of preparment given by the Borrower:
(e) any provision of any Finance Document for any reason being ineffective to impose on any obligor the obligations contemplated by such provision to be imposed on that obligor: Of
(f) any breach of Environmental Law or Environmental Claim relating to any member of the Group.

### 16.2.2 The Borrower shall (or shall procure that a relevant Obligor shall)

 promptly indemnify each Finance Party, each Affiliate of a Finance Party and each officer or employe of a Finance Party or its Affiliate, against any cost, loss or liability incurred by that Finance Party or its Affiliate (Or officer or employee of that Finance Party or Affiliate) in connection with or arising out of the Acquisition or the funding of the Acquisition of any other transaction contemplated by this Agreement (including those incurred in connection with any litigation, arbitration, alternative - dispute resolution or administrative proceedings or regulatory enquiry =concerning the Acquisition or any other transaction contemplated by this Agrement) unless such loss or liability is caused by the gross negligence or wilful16.3 INDEMNITY TO THE AGENT

The Borrower shall promptly indemnify the Agent against any cost, loss of = liability incurred by the Agent (acting reasomably) as a result of:
16.3 .1 investigating any event which it reasonably believes is a Default:-
16.3 .2 entering into or performing any foreign exchange contract for the —purposes of clause 30.9 .2 (Change of currency); of
16.3 .3 acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

### 16.4 INPEMNITY TO THE SEGURITY AGENT

16.4.1 The Borrower shall (and shall procure that each obligor shall) promptly indemnify the Security Agent and every Receiver and Delegate against any =cost, loss or liability incurred by any of them as a result of:
(-a) the taking, holding, protection or enforcement of the Transaction
(b) the exercise of any of the rights, powers, discretions and remedies =(1) vested in the Security Agent and each Receiver and Delegate by the Finance Documents or by lawi and
(c) any default by any obligor in the performance of any of the obligations expressed to be assumed by it in the Finance Documents.
16.4.2 The security Agent may, in priority to any payment to the secured

Parties, indemnify itself out of the Trust Property in accordance with
Clause 27.27 (Indemnity from Trust Property) in respect of, and pay and = retain, all sums necessary to give effect to the indemnity in this clause the enforcement of the Transaction security for all monies pavable to

## 16.5-FAX INDEMAITY

The Borrower shall indemnify each Finance Party against any cost, claim, loss, expense (including legat fees) or liability together with any VAF thereon which any of the Finance Parties may sustain or incur as a Consequence of any telefax communication purporting to originate from an Obligor to the Agent being made or delivered fraudulently (unless such cost, claim, loss, expense or liability is caused by the gross negligence Or wilful misconduct of such Finance Party). For avoidance of doubt, the Borrower shall only be liable under this indemnity in respect of telefax communications originating or purportedly originating from it.

## 17 MITIGATION BY THE FINANGE PARTIES

### 17.1 MITIGATION

17.1.1 Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would Fesult in any amount becoming payable under or pursuant to, or cancelled = pursuant to, any of clause 7.1 (Illegality), clause 14 (Tax Gross Up an Indemnities) clause 15 (Increased Costs) or paragraph 3 of Schedule 5 =(Mandatory Cost Formula) including transferring its rights and obligations = under the Finance Documents to another Affiliate or Facility Office-
17.1.2 Clause 17.1 .1 does not in any way limit the obligations of any obligor under the Finance Documents.

### 17.2 LIMITATION OF LIABILITY

17.2.1 The Borrower shall indemnify each Finance Party for all costs and expenses reasonably incurred by that finance Party as a result of steps taken by it under clause 17.1 (Mitigation).
17.2.2 A Finance party is not obliged to take any steps under clause 17.1 (Mitigation) if, in the opinion of that Finance Party (acting reasonably), = to do so might be prejudicial to it.

## 18 COSTS AND EXPENSES

### 18.1 TRANSAGTION EXPENSES

The Borrower shall promptly on demand pay the Agent, the Arranger and the Secured parties the amount of all costs and expenses (including legal fees) ㄱeasomably incurred by any of them (and, in the case of the security Agent, =by any Receiver or Delegate) in connection with the negotiation/三.preparation, printing, execution, syndication and perfection of:

18.1 .1 this Agreement and any other documents referred to in this Agreement and the Transaction security; and<br>\section*{18.1 .2 any other Finance Documents executed after the date of this Agreement.}

18.2 AMENDMENT COSTS

If (a) the Borrower requests an amendment, waiver or consent or ( $\underline{b}$ ) an Borrower shall, within three Business Days of demand, reimburse each of the Agent and the secured parties for the amount of all costs and expenses =(including legal fees) reasomably incurred by the Agent and the secured = Parties (and, in the case of the security Agent, by any Receiver of Delegate) in responding to, evaluating, negotiating or complying with that request or requirement.

### 18.3 SEGURITY AGENT'S ONGOING COSTS

18.3 .1 In the event of (i) a Default or (ii) the security Agent considering it = Obeessary or expedient or (iii) the security Agent being requested by an Obligor or the Majority Lenders to undertake duties which the Security Agent and the Borrower agree to be of an exceptional nature and/or outside the scope of the normal duties of the security Agent under the rinance Documents, the Borrower shall pay to the security Agent any additional remuneration that may be agreed between them.

### 18.4 ENFORGEMENT AND PRESERVATION COSTS

The Borrower shall, within three Business Days of demand, pay to theArranger and each other secured party the amount of all costs and expenses(including legal fees) incurred by it in connection with the enforcement ofOr the preservation of any rights under any Finance Document and theITansaction Security and any procedings instituted by or against theSecurity Agent or any other Finance Party as a consequence of taking orholding the Transaction Security or enforcing these rights.
74 such collateral Owner's Ship (other than a Purchase option Ship) shall, unless and until the Agent directs to the contrary, be paid to the Navios ShipManagement operating Account and/or the Dan operating Accounts and/or any other Operating Account, as designated by the Borrower:
(c) subject to clause 19.1.3, all moneys payable to each charter company in respect of the Charter Earnings of each Charter Company or otherwise including, for the avoidance of doubt, in respect of FFAs) shallo unless and until the Agent directs to the contrary, be paid te such Charter Company's operating Account,
(C(d) all moneys payable to CNSA in respect of the Terminal Earnings shatl/ unless and until the Agent directs to the contrary, be paid to the CNSA Account held with the Agent in London; and
(——e) all moneys payable to the Borrower for whatever reason (which, for the Subsidiarios) shal, ine the and contrary, be paid to the Working Gapital Account.
19.1.2 Subject to clause 19.1.3, the Borrower undertakes with the Finance Parties that it shall (and shall procure that each relevant member of the Group shall):
(a) close all bank accounts other than the Accounts within one month of the date of this Agreement, unless the Agent otherwise agrees; and
(b) transfer immediately prior to the closing of all acounts required to be closed pursuant to clause $19.1 .2(\underline{a})$ - all credit balances of such =accounts to the Working Gapital Account.
19.1.3 The Borrower undertakes with the Finance parties that, notwithstanding clauses 19.1.1 and 19.1.2, it shall procure that:
(2) for the period of a maximum of one month beginning from the first Utilisation Date until each Charter Company closes its DnB operating Account in accordance with clause 19.1.3( $\underline{b}$ ), all moneys payable to =ach charter company in respect of the Charter Earnings of each Charter company or otherwise (including, for the avoidance of doubt, in respect of FFAs) shall, unless the Agent directs to the contrary, be paid to such charter Company's DAB opprating Account;
(—b) each Charter company shall close and transfor all credit balances on its DAB Operating Account to its Operating Account within one month of the first Utilisation Date; and
(c) from the earlier of the date falling one month after the first Utilisation Date and the date on which each Charter company closes its DAB operating Account in accordance with clause 19.1.3(b) above, each OAB operating Account in accordance with clause $19.1 .3(\underline{b}) \frac{\text { above ach }}{\text { charter company will manage all expenditure and financial transactions }}$ relating to its operations through such charter company's operating Account and clause 19.1.1(c) shall apply.

19.1.4 If any of the moneys paid into any of the HSH Accounts pursuant to clauses 19.1 .1 (b) to (e) (inclusive), $19.1 .2(\underline{b})$ and 19.1.3 (b) (inclusive), IS in a currency other than the currency in which such account is denominated (the "DENVMINATED-GURRENGY"), the Agent shall convert such moneys into the Denominated currency at the Agent's spot rate of exchange at the relevant time for the purchase of Denominated Currency with such currency.

### 19.2 OPERATING ACCOUNTS: WITHDRAWALS

Unless the Agent otherwise agrees in writing, the Borrower shall procure that no moneys are withdrawn from the operating Accounts or the DnB Operating Accounts at any time from the date of this Agrement save that, unless and until a Default shall occur and be continuing, withdrawals may be made from the operating Accounts and the DnB operating Accounts for the following purposes:
19.2 .1 to transfer to the Retention Account on each Retention Date all or part Of the Retention Amount for such Retention Date;
19.2 .2 to pay any amount to the Agent in or towards payments of any instalments Of interest or principal or any other amounts then payable pursuant to the Transaction Security Documents;

### 19.3 RETENTION AGCOUNT AND HOLDING AGCOUNT: CREDITS AND WITHPRAWALS

19.3.1 The Borrower hereby undertakes with the Finance Parties that it shall/from the date of this Agreement, on each Retention Date pay to the Security Agent for credit to the Retention Account, the Retention Ampunt for such Retention Date provided however that, to the extent that there are moneys Standing to the credit of the operating Accounts and/or the DnB operating Accounts (or any of them) as at the relevant Retention Date, such moneys Shall, up to an amount equal to the Retention Amount, be transferred
between the operating Accounts and/or the DnB Operating Accounts (or any of them) to the Retention Account on that Retention Date and in respect of The Qperating Accounts (other than the CNSA Account held with the Agent in London) the Borrower hereby irrevocably authorises the Security Agent to Effect each such transfer) and to that extent the Borrower's obligations to make the payments referred to in this clause 19.3.1 shall have been fulfilled upen such transfer being effected.
19.3.2 Unless and until there shall occur an Event of Default (whereupon the = provisions of clause 19.5 (Application of Accounts) shall apply), all Retention Ampunts credited to the Retention Account together with interest from time to time accruing or at any time accrued thereon shall be applied las directed by the Agent and the Borrower hereby irrevocably authorises the security Agent so to apply the same) in the following manner:
(a) upon each Repayment Date, and on each day that interest is payable -pursuant to clause 10.3 (Payment of interest), in or towards payment to the Lenders of the instalments then falling due for repayment or (as the case may be) the amount of interest then due. Each such application by the Agent shall constitute a payment in or towards satisfaction of the Borrower's corresponding_payment obligations under this Agreement but shall be strictly without prejudice to the obligations of the Borrower to make any such payment to the extent that the application by the security Agent pursuant to this clause $19.3 .2(\underline{2})$ is insufficient to meet the same; and
(b) following any application by the Agent pursuant to clause 19.3.2(a) in transfer to the Working Gapital Account of any moneys standing te the eredit of the Retention Account to the extent that such moneys do not constitute Retention Amounts previously transferred to the Retention Account pursuant to clause 19.3.1.
19.3.3 Unless the Lenders otherwise agree in writing and subject to clause 10.3.2, the Borrower shall not be entitled to withdraw any moneys from the
19.3 .4 Unless the Lenders otherwise agree in writing, the Borrower shall not be entitled to withdraw any monevs from the Holding Account at any time from the date of this Agreement other than for the purposes specified in/ and in =compliance with, clause 8.4.

### 19.4 WORKING GAPITAL AGGOUNT: WITHDRAWALS

Unless the Agent otherwise agrees in writing, the Borrower shall not be entitled to withdraw any moneys from the Working capital Account at any
 = shall occur and the Agent shall direct to the contrary, the Borrower mayl subject to the delivery by the Borrower to the Agent of a Quarterly Budget, Withdraw moneys from the Working capital Account for the following "purposes:

### 19.4.1 to pay any amount in or towards payment of any instalments of interest or =principal in respect of the Loans or any other amounts then payable

 =pursuant to the Finance Documents;19.4.2 to make advances by way of Intra-Group Loans;

### 19.4.3 to finance core Activities; and

19.4.4 to assist a Purchase Option Subsidiary in financing the purchase of a Purchase Option Ship in accordance with clause 23.43.1 (Purchase option Subsidiaries).

### 19.5 APPLICATION OF AGCOUNTS

At any time after the occurrence of an Event of Default which is continuing, the Agent may, with prior notice to the Borrower, instruct the Security Agent or the relevant finance Party to apply all moneys then Standing to the eredit of the HSH Accounts (together with interest from time to time accruing or accrued thereon) in or towards satisfaction of any sums due to the Finance Parties under the Finance Documents in the manner =specified in clause 27.22 (Order of application).

### 19.6 NEW ACCOUNTS

19.6.1 The Borrower shall procure that no member of the Group (other than a Purchase Qption Subsidiary or a Now Share Issue Subsidiary) shall open any new accounts without the prior written consent of the Agent, save for any cuccumt opened in connection with Permitted Financial Indebtedness and =- provided that the borfower shall give or shall procure that the relevant member of the Group gives) the Agent notice that it has opened an account In connection with permilted financial Indebtedness within five Business Days of opening such an account.
19.6.2 In the event that a Purchase Option Subsidiary or a New Share Issue Subsidiary opens any new account, the Borrower shall, or shall procure that such Purchase Option Subsidiary or New Share Issue Subsidiary shall give the Agent notice that it has opened the account within five Business pave of opening such an account.

### 19.7 SECURITY OVER THE AGCOUNTS

19.7.1 The HSH Accounts, the Wachovia Accounts, the CNSA Accounts and the Permitted Existing Accounts (other than the Excluded Existing Accounts) and all amounts from time to time standing to the credit thereof shall be Plibdaes and ane security comstint - Doll

## 19.7 .2 The Borrower shall procure that unless otherwise agreed in writing by the

 Agent any new accounts opened in accordance with the terms of clause 19.6.1 =- (New accounts) shall be subject to a first priority account pledge in favour of the security Agent or, as the case may be, the secured parties save (a) (but without prejudice to the provisions of clauses 23.43.3(b) =(Purchase Option Subsidiaries)) in respect of an account which has been an accult of a New share Issue subsidiary.

## 20 REPRESENTATIONS

### 20.1 GENERAL

20.1.1 The Borrower makes the representations and warranties set out in this Clause 20 to each Finance Party.
20.1.2 In relation to the representations and warranties made on the date of this Agreement and any other date, it is assumed that the Borrower has (and had at all relevant times prior to the Closing Date) the knowledge of Key Personnel.

### 20.2 STATUS

20.2.1 It and each of its subsidiaries is a corporation, duly incorporated, validly existing and in good standing under the law of its jurisdiction of incorporation.
20.2.2 It and each of its subsidiaries has the corporate power to own its assets e.2.2 and arry on its business as it is being conducted.
20.3 BINDING OBLIGATIONS

Subject to the Legal Reservations, and in the case of the Transaction Security Documents, to the Registration Requirements:
20.3 .1 the obligations expressed to be assumed by it and each other obligor in each Transaction Document are legal, valid, binding and enforceable Obligations in accordance with their terms; and

20.3.2 (without limiting the generality of clause 20.3.1) , each Transaction<br>Security Document creates the security interests which that Transaction Security Document purports to create and those security interests are valid and effective.

### 20.4 NON CONFLICT WITH OTHER OBLIGATIONS

The entry into and performance by it and each other obligor of, and the transactions contemplated by, the Transaction Documents and the granting of the Transaction Security do not and will not conflict with:

## 20.4 .1 any law or regulation applicable to it or such other obligors;

20.4.2 the Constitutional Documents of any member of the Group; or
20.4 .3 any agreement or instrument binding upon it or any member of the Group-or any of its or any member of the Groupts assets or constitute a default or termination event (however described) under any such agreement of instrument.

### 20.5 POWER, AUTHORITY AND PURPOSE

20.5.1 It and each other obligor has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry intor三-performance and delivery of, the Transaction Documents to which it is or =Will be a party and the transactions contemplated by those Transaction - Documents.
20.5.2 No limit on its and any other Obligor's powers will be exceeded as a result of the borrowing, grant of security or giving of guarantecs of indemnities contemplated by the Transaction Documents:
20.5.3 Any part of the Existing HSH Debt borrowed by the Borrower for the =-general corporate and working capital purposes of the Group and which has already been used by the Borrower and/or the Group (whether by withdrawals from the Working Capital Account (as defined in the Existing Loan Agreement) or otherwise), has been used for such purpose and in order to =finance the Core Activities of the Group.
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### 20.6 VALIDITY AND ADMISSIBILITY IN EVIDENGE

20.6.1 All Authorisations required or desirable:
(- (a) to enable it and each other obliggr lawfully to enter into, exercise their respective rights and comply with their respective obligations in the Transaction Documents to which it is a party;
(b) to make the Transaction Documents admissible in evidence in their Crespective Relevant Jurisdictions; and

## =(c) to enable the Borrower to complete the Acquisition,

Chave been obtained or effected and are in full force and effect except any = be promptly obtained or effected after the date of this Agreement:
20.6.2 All Authorisations necessary for the conduct of the business, trade and ordinary activities of members of the Group have been obtained or effected and are in full force and effect.

### 20.7 GOVERNING LAW AND ENFORCEMENT

20.7.1 The choice of English or, as the case may be, Urugwayan, Marshall Islands, Greek, German, Pamamanian, Now York and Connecticut Iaw as the governing law of the Finance Documents (as applicable) will be recognised = and enforced in its Relevant Jurisdictions.
20.7.2 Subject to any reservations or qualifications contained in any legaI
opinion delivered to the Agent pursuant to clause 4.1 (Initial conditions
(—precedent), any judgment obtained in England or, as the case may be,
Urugway, the Marshall Islands, the Hellenic Republic, the Federal Republic Of Germany, the Republic of Panama, New York or Connecticut in relation to a Finance Document will be recognised and enforced in its Relevant Jurisdictions.

### 20.8 INSOLVENCY

### 20.8.1 corporate action, legal proceding or other procedure or step described

 in clause 24.7.1 (Insolvency proceedings)i- of20.8.2 croditors' process described in clause 24.8 (Greditors' process) ו/
has been taken or, to the knowledge of the Borrower, threatened in relation to a member of the Group; and none of the circumstances described in clause 24.6 (Insolvency) applies to a member of the Group.

### 20.9 NO FILING OR STAMP TAXES

Under the laws of its Relevant Jurisdictions it is not necessary that any fina bocument be filed, recorded or enrolled with any court or other<br>anthority in that jurisdiction or that any stamp, registration, notarial or similar Taxes or fees be paid on or in relation to the rinance Documents or The transactions contemplated by the Finance Documents except the<br>Registration Requirements in relation to any Finance Documents which registrations, filings, taxes and fees will be made and paid promptly after the date of the relevant finance Document.<br>\subsection*{20.10 DEDUCTION OF TAX}<br>It and each other obligor is not required to make any deduction for or on =- account of Tax from any payment it may make under any Finance Document.

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### 20.11 NO DEFAULT

20.11.1 No Event of Default and, on the date of this Agreement and each Utilisation Date, no Default is continuing or is reasomably likely to result from the making of any toan or the entry into, the performance of, Or any transaction contemplated by, any Transaction Document.

### 20.11.2 No other event or circumstance is outstanding which constitutes (or

 With the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (however deseribed) under any othercagrement or instrument which is binding on it or any of its subsidiaries or to which its (or any or its subsidiaries ) assets are subject which has Or is reasonably likely to have a Material Adverse Effect.

### 20.12 NO MISLEADING INFORMATION

20.12.1 Any factual information contained in the Information Memorandum or the Information Package was true and accurate in all material respects as at the date of the relevant report or document contrining the information of (as the case may be) as at the date the information is expressed to be "given.
20.12.2 The Base Case Model has been prepared in accordance with the Accounting Principles as applied to the Original Financial Statements, and the financial projections contained in the Base Gase Model have been prepared on the basis of recent historical information, are fair and based on reasonable assumptions and have been approved by two members of the board of directors of the Borrower.
> 20.12.3 Any financial projection or forecast contained in the Information Memorandum or the Information Package has been prepared on the basis of recent historical information and on the basis of reasomable assumptions and was fair (as at the date of the relevant report or document containing The projection or forecast) and arrived at after careful consideration.
> 20.12.4 The expressions of opinion or intention provided by or on behalf of an Obliggor for the purposes of the Information Memorandum or the Information Package were made after careful consideration and were fair and based on reasonable grounds.
> 20.12 .5 No event or circumstance has occurfed or arisen and no information has been omitted from the Information Memorandum or the Information Package and no information has been given or withheld that results in the information, Opinions, intentions, forecasts or projections contained in the Information Memorandum or the Information Package being untrue or misleading in any material respect.
> 20.12 .6 All material information provided to a Finance Party by or on behalf of the Borrower in connection with the Acquisition and/or the Target Group on Or before the date of this Agreement and not superseded before that date (whether or not contained in the Information Package) is accurate and not = misleading in any material respect and all projections provided to ant Finance Party on or before the date of this Agreement have been prepared in -good faith on the basis of assumptions which were reasonable at the time at =Which they wore prepared and stpplied.
20.12.7 All other written information provided by any member of the Group (including its advisers) to a Finance Party or the provider of any Report $\overline{\text { was true, complete and accurate in all material respects as at the date it }}$ FWas provided and is not misleading in any respect.

## 20. 13 ORIGINAL FINANGIAL STATEMENTS

20.13.1 The original financial statements were prepared in accordance with the Accounting Principles consistently applied.
20.13.2 The original financial statements give a true and fair view of the Target's consolidated financial condition and results of operations during the relevant financial year. financial condition (or the assets, business or consolidated financial Condition of the Group, in the case of the Borrower).

[^11](므) have been prepared in accordance with the Accounting principles as applied to the Origimal Financial Statements and the Base case Model (b) give a true and fair view of (if audited) or fairly present (if (b) (b) give a true and fair view of (if audited) or fairly present (if consolidated results of operations for, the period to which they, consoli
20.13.6 The budgets and foreasts supplied under this Agreement were arrived at after careful consideration and have been prepared in good faith on the basis of recent historical information and on the basis of assumptions Which wre reasonable as at the date they wre prepared and supplied.

### 20.13.7 Since the date of the most recent financial statements delivered

- pursuant to clause 21.1 (Financial statements) there has been no materiat adverse change in the business, assets or financial condition of the Group taken as a whole.


### 20.14 NO PROGEEDINGS PENOING OR THREATENEQ

Save as disclosed in schedule 3.12 of the Acquisition Agrecment no litigation, arbitration or administrative proceedings or investigations of O- or before, any court, arbitral body or Government Entity which, if
I-adversely determined, are likely to have a Material Adverse Effect have (te the best of its knowledge and belief (having made due and careful enquiry) ) beon ctarted or threatened
20.15 NO BREACH OF LAWS
20.15 .1 It has not (and none of its subsidiaries has) breached any law of regulation which breach has or is likely to have a Material Adverse Effect.
20.15.2 No labour disputes are current or, to the best of its knowledge and belief (having made due and careful enduiry), threatened against any member Of the Group which have or are likely to have a Material Adverse Effect.

### 20.16 ENVIRONMENTAL LAWS

## Save as expressly disclosed in the Acquisition Agreement:

20.16.1 Each member of the Group is in compliance with clause 23.3
(Envirommental compliance) and no circumstances have occurfed which would ".prevent such compliance in a manner or to an extent which has or is likely to have a Material Adverse Effect.
20.16.2 No Envirommental Claim has been commenced or (to the best of its knowledge and belief (having made due and careful enquiry)) is threatened against any member of the Group where that claim has or is reasonably likely, if determined against that member of the Group/ to have a Material Adverse Effect.
20.16.3 There has ben no Envirommental Incident.
20.17 TAXATION
20.17 .1 It is not (and none of its subsidiaries is) materially overdue in the filing of any Tax returns and it is not (and none of its subsidiaries is) overdue in the payment of any amount in respect of Tax of US $\$ 250$,000 (or its equivalent in any other currency) or more.
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20.17.2 No material claims or investigations are being, or are reasonably likely to be, made or conducted wainst it (or any of its subsidiaries) with respect to Taxes.
20.17.3 To the best of its knowledge and belief and based on the advice contained in the Tax Report, the Borrower is resident for Tax purposes only In the jurisdiction of its incorporation.
20.18 SECURITY AND FINANCIAL INDEBTEDNESS
20.18.1 No security or Quasi security exists over all or any of the present or future assets of any member of the Group other than as permitted by this Agreement.
20.18.2 No member of the Group has any Financial Indebtedness outstanding other than as permitted by this Agreement.

### 20.19- PANKING

20.19.1 The Transaction Security has or will have the ranking in priority which it is expressed to have in the Transaction security Documents and it is not Subject to any prior ranking or pari passu ranking security (save in = respect of any Transaction Security granted by a Purchase Option Subsidiary Or a New Share Issue Subsidiary, where the Transaction Security will rank (in accordance with a Third party Intercreditor Agreement):-
20.19.2 It is in compliance with the undertaking in clause 23.13 (Pari passu (ranking).
20.20 G00D TITLE TO ASSETS
20.20.1 It and each of its subsidiaries has a good, valid and marketable title to, or valid leases or licences of, and all appropriate Authorisations to use, the assets necessary to carry on its business as presently conducted.

### 20.20.2 Each Owned Ship is:

(a) in the absolute ownership of the relevant member of the Group who is =- the sole, legal and beneficial owner of such owned ship;
(b) permanently registered through the offices of the relevant Registry as =a ship under the laws and flag of the relevant flag State;
(C) eperationally seworthy and in every way fit for service; and
(d) classed with the relevant Classification free of all requirements and recommendations of the relevant classification society;

### 20.20.3 Save for any Charters or Contracts of Affreightment disclosed in writing

 by the Borrower to the Agent, and acknowledged in writing by the Agent,the Earnings of such owned Ship or, as the case may be, the Charter Earnings of such chartered ship may be shared with any other person.
20.20.4 Each Charter Company has established appropriate quality and risk
management procedures along with a systematic ship vetting system-for use, = in each case, when fixing any Chartered ship under any emploment arrangement to ensure that such Charter company effectively manages its liability risk exposure in connection with the chartering, operating and = employment of any chartered ship.
20.20.5 CNSA has the benefit of such unconditional rights of access and egress as are required for the maintenance, promotion and operation and
development of the Ierminal and there are vested in CASA (under the lease Or otherwise) all leasehold rights, licences, easements and other rights necessary for the maintenance, promotion and operation and development of the Terminat.

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20.20.6 The construction of the silo has been completed.

## 20. 21 LEGAL ANO BENEFIGIAL OWNERSHIP

20.21.1 It and each of its subsidiaries is the sole legal and beneficial onner of the respective assets over which it purports to grant security.
20.21.2 All the Target Shares were, once Completion occurred, legally and beneficially own by ISE free from any claims, third party rights or competing interests other than, in the case of Target shares only, Permitted Security permitted under clause 23.15 (Negative Pledge).

### 20.22 SHARES

$$
\begin{aligned}
& \text { 20.22.1 Prior to submission of a Utilisation Request the shares of any member of } \\
& \text { the Group which are subject to the Transaction security are fully }
\end{aligned}
$$

Inon assessable and not subject to any option to purchase or similar rights.
20.22.2 The Constitutional Documents of companies whose shares are subject to the Transaction security do not and could not restrict or inhibit any transfer of those shares on creation or enforcement of the Transaction Security.

### 20.22 .3 save in respect of the Borrower (as disclosed by the Borrower under the

 heading "Description of securities" in the form $s$ 4), there are ne agreements in force which provide for the issue or allotment of, or grant Zany person the right to call for the issue or allotment of, any share or Ioan capital of any member of the Group or member of the Target Group (- (including any option or right of pre emption or conversion).
### 20.23 INTELLEGTUAL PROPERTY

It and each of its subsidiaries:
20.23 .1 is the sole legal and beneficial onner of or has licensed to it all the Intellectual Property which is material in the context of its business (the " "MATERIAL INTELLECTUAL PROPERTY") and which is required by it in order to carry on its business as it is being conducted and as contemplated in the Base Gase Model;

20.23 .2 does not (nor does any of its Subsidiaries), in carrying on its businesses, infringe any Intellectual Property of any third party in any respecti and

20.23.3 has taken all formal or procedural actions (including_payment of fees)
required to maintain any Material Intellectual Property owned by it.
20.24 GROUP STRUCTURE CHART20.24.1 The Group Structure Chart delivered to the Agent pursuant to part I ofSchedule 3 (Gonditions Precedent) is true, complete and accurate and show"the following information:
(2) all members of the Group, including current name and companyregistration or corporation number (as the case may be) itsjurisdiction of incorporation and/or establishment, a list ofshareholders and indicating whether a company is a Dormant subsidiaryor is not a company with limited liability;
(b) all minority interests in any member of the Group (other than theBorrower) and any person in which any member of the Group holds sharesin its issued share capital or equivalent ownership interest of suchperson.
20.24.2 All necessary intra Group loans, transfers, share exchanges and othe steps resulted in the final Group structure are set out in the GroupStructure chart and have been taken in compliance with all relevant lawsand regulations and all requirements of relevant regulatory authorities.

### 20.25 OBLIGORS

Each subsidiary of the Borrower (other than a Dormant subsidiary) is or will be an obligor on the first Utilisation Date.

### 20.26-AGCOUNTING-REFERENGE DATE

The Accounting Reference Date of each member of the Group is 31 December.

## 20. 27 AGQUISITION DOCUMENTS, DISGLOSURES AND-OTHER DOCUMENTS

20.27.1 The Acquisition Documents contain all the terms of the Acquisition.
20.27.2 There is no disclosure made to the Acquisition Documents which has or may have an adverse effect on any of the information, opinions, intentions, forecasts and projections contained or referred to in the Information Package:
20.27.3 To the best of its knowledge no representation or warranty given by any = party to the Acquisition Documents is untrue or misleading in any material respect.

## 20. 28 NO ADVERSE CONSEOUENCES

20.28.1 It is not necessary under the laws of its Relevant Jurisdictions:
(a) in order to enable any Finance Party to enforce its rights under any Finance Document; or
(b) by reason of the execution of any Finance Document or the performance = by it of its obligations under any Finance Document,
that any Finance party should be licensed, qualified or otherwise entitled to carry on business in any of its Relevant Jurisdictions.
20.28.2 No Finance Party is or will be deemed to be resident, domiciled of an ying on business in its Relevant Jurisdictions by reasom only of the execution, performance and/or enforcement of any Finance Document.
20.29 HOLOING AND DORMANT SUBSIDIARIES
20.29.1 Except as may arise under the Transaction Documents and for Acquisition Costs, before the Closing Date the Borrower has not traded or incurred ant liabilities or commitments, (actual or contingent, present or future) other than in the case of ISE, pursuant to its listing of shares on the OTG Bulletin Board on 16 December 2004
20.29.2 Aegean Shipping Gorporation Inc. is a Dormant subsidiary and there are no other Dormant Subsidiaries in the Group.

## 20. 30 NO IMAUNITY

Neither it nor any other obligor nor any of their respective assets are immune to any legal action or proceeding:

### 20.31 PENSIONS

Save as expressly disclosed in the Accountants Report, the Group is fully in compliance with the undertakings in clause 23.24 (Pensions).

20.32 INSURANGE<br>Save as expressly disclosed in the Insurance Report, the Group is fully in compliance with the undertakings in clause 23.23 (Insurance).

### 20.33-FEDERAL REGHLATIONS

20.33 .1 The Borrower is not engaged in the business of extending credit for the "—purpose of "purchasing" or "carrying" "margin stock" within the respective meanings of each of the quoted terms under Regulation $U$, and none of the transactions contemplated by this Agreement will violate or result in the Violation of the securities Act, the Exchange Act or Regulation I, $U$ or $X$. At no time would the obligations of the Borrower be directly or "indirectly _secured" by assets of the Borrower or its consolidaled subsidiaries are "margin stock" (pursuant to, and as such quoted terms are defined in/,
 Of the value of the assets of the Borrower and its consolidated
Subsidiaries. To the extent applicable and if requested by the Agent or any Lender, the Borrower will furnish to the Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form $G-3$ Or FR Form U 1 referred to in said Regulation U.
20.33.2 Neither the Borrower nor any of its subsidiaries is subject to regulation under the Public unixty Holding company Act of 1935 of the United States or the Federal Power Act of the United states or the Investment Company Act of 1940 of the United States, each as amended. In addition, neither the Borror nor any of its subsidiaries is (a) an "Investment company" registered or required to be registered under the Investment Company Act of 1940 of the United States, as amended, (b) controlled by such a company, or (c) a "holding company", a "subsidiary company" of a "holding company", or an "affiliate" of a "holding-company"
 Public Utility Holding Company Act of 1935 of the United States, as amended.
20.33.3 No director, executive officer or principal holder of capital stock of the Borrower or any of its subsidiaries is a director, executive officer or = principal shareholder of any Lender. For the purposes hereof, the terms " "director", "executive officer" and "principal shareholder" (when used with Feference to any Lender) have the respective meanings assigned thereto in Regulation 0.
20.33.4 The Borrower and its subsidiaries are current with all material reports
and documents, if any, required to be filed with anv 4 s foderal or stat and documents, if any, required to be filed with any U.S. federal or state securities commission or similar agency and are in compliance in all material respects with all applicable rules and regulations of such "commissions.

### 20.34 ERISA

20.34.1 During the five year period prior to the date on which this representation is made or deemed made: (i) no ERISA Event has occurred, and Mo event or condition has occurred or oxists as a result of which any ERISA Event could reasonably be expected to occur, with respect to any Plani-(ii) no "accumulated funding deficiency," as such term is defined in section 302 of ERISA and section 412 of the code, whether or not waived, has occurred With respect to any Plan: (iii) each Plan has been maintained operated and funded in material compliance with its own terms and in material
compliance with the provisions of ERISA, the Code, and any other applicable United states federal or state laws; and (iv) no lien in favour of the PBGG =Or a Plan has arisen or is reasonably likely to arise on account of ant Plan.
20.34.2 The actuarial present value of all "benefit liabilities" (as defined in = Employer Plan, as of the last annual valuation date prior to the date on Which this representation is made or deemed made (determined, in each case, in accordance with Financial Accounting Standards Board Statements 87 of 132, as applicable). did not exceed as of such valuation date the fair market value of the assets of such Plan.
20.34.3 Neither the Borrower nor any of its subsidiaries nor any ERISA Affiliate Chas incurred, or could be reasomably expected to incur, any withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Che Bof or any = become subject to any withdrawal liability under ERISA if the Borrowor or
ERISA Affiliate has received any notification that any Multiemployer Plan
Is in reorganization (within ene meaning section 424I Of ERISA)-
terminated (within the meaning of Title IV of ERISA), and no Multi
Plan is reasomably expected to be in reorganization, insolvent orterminated.
20.34.4 NO pronibited transaction (within the meaning of section 406 of ERISA orSection 4975 of the Code) or breach of fiduciary responsibility has"occurred with respect to a Plan which has subjected or could be reasomablyexpected to subject the Borrower or any of its subsidiaries to any materiatliability under section 406, 409, 502(i) or 502(1) of ERISA or section 4975of the code or under any adreement or other instrument pursuant whichthe Borrower or any of its subsidiaries or any ERICA Affiliate has agreadOor is required to indemnify any person against any such liability.
20.34.5 Neither the Borrower nor any of its Subsidiaries has any materia
liability with respect to "expected post retirement benefit obligations"
within the meaning of the United States Financial Accounting Standard BoardStatement 106. Each Plan which is a welfareplan (as defined in Section$3(1)$ of ERISA) to which Sections 601 through 609 Of ERISA and section 4980BOf the code apply has been administered in compliance in all material"respects of such sections.
20.34.6 Neither the execution and delivery of this Agreement nor the
consummation of the financing transactions contemplated hereunder will
involve any transaction which is subject to the prohibitions of sections-404, 406 or 407 of ERISA or in connection with which a tax could be impesedCpursuant to section 4975 of the code.
20.34.7 With respect to any foreign-Plan, none of the following events of
conditions exists and is continuing that, individually or in thewould reasonably be expected to have a Material Adverse Effect: (a)
and
and all allsubsidiary in connection with the termination of or withdrawal from any
foreion Plan (d) for any foreion Plan that is funded, aroreign Plan
Underfememe= properly accrue or insure the obligations of such Foreign plan.
20.35 COMPLIANGE
20.35.1 Neither the Borrower nor any of its Subsidiaries has made any unlawfuldomestic or foreign political contributions or engaged in any conduct=(including_payments andfor provisions of services) in each case, that wouldconstitute a violation of (a) Foreign Corrupt Practices Act of 1977 of the
United States, as currently in effect, or (b) any similar applicable U.S.
Or foreign law. The Borrower and its subsidiaries have adopted man

- wit
(States). The Borrower and its Subsidiaries are familiar with, have
implemented and not violated such procedures. None of the employees of
d Blocked Porsons maintained bythe Office of Foreign Assets Control of the United States Department of the
Treasury (ofac List).
20.36 ANTI-TERRORISM LAWS
20.36.1 None of the obligors or, to the knowledge of any of the obligors, any oftheir Affiliates, is in violation of any laws relating to terrorism ofmoney laundering ("ANTI TERRORISM LAWS") including the United States
Executive Order 13224 Tn Terrorist Einancing effective September 24
2001 (the ir EXECUTIVE ORORT), and the Uniting and enProviding Approppiate Tools Required to Intercept and obstruct TerroriseAct of 2001, Public Law 107-56 (the "PATRIOT ACT")
20.36.2 No obligor or, to the knowledge of any of the obligors, any of theirAffiliates, or their respective brokers or other agents, is any of thefollowing:
(a) a person or entity that is listed in the annex to or is otherwisesubject to the provisions of, the Executive Order;
(b) a person or entity owned or controlled by or acting for or on behalf
of, any-person or entity that is listed in the annex to, or is
otherwise subject to the provisions of, the Executive order;86

(e) a person or entity that commintes, threatens or comspires to commit or supports "terrorism" as defined in the Executive Order; of
(d) a person or entity that is named as a specialy designated nationat
and blocked person" on the most current list published by the office
of Foreign Asset Control of the United States Department of Treasury
at its official website or any replacement website or other
20.36.3 No obligor or, to the knowledge of any obligor, any of its brokers of other agents acting in any capacity in connection with the facilities (i). =-conducts any business or engages in making or receiving any contribution on funds, goods or services to or for the benefit of any person described in =- paragraph (b) above, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading of avoiding, or attempts to violate, any of the prohibitions set forth in any Anti Terrorism Law.

### 20.37 TIMES WHEN REPRESENTATIONS MADE

Memorandum, on the date the Information Memorandum is approved by the20.37.5 Each representation or warranty deemed to be made after the date of thisAoreement shall be deemed to be made by reference to the facts andcircumstances existing at the date the representation or warranty is deemedto be made
21. INFORMATION UNOERTAKINGS
The undertakings in this clause 21 remain in force from the date of thiAgreement for so long as any amount is outstanding under the FinanceIn this clause 21 and clause 22 (Financial Covenants)
"ANAUAL FINANGIAL STATEMENTS" means the financial statements for
Financial Year delivered pursuant to clause 21.1.1 (Financial statements).
"QUARTERLY FINANGIAL STATEMENTS" means the financial statements delivered(pursuant to clause 21.1.2 (Financial statements).
21.1 FINANGIAL STATEMENTS
The Borrower shall supply to the Agent in sufficient copies for all the
Lenders:87
21.1.1 as soon as they are available, but in any event within 120 days after theend of each of its Financial Years its audited consolidated financial
statements for that Financial Year.
21.1 .2 as soon as they are available, but in any event within 60 days after the end of each Financial Quarter of each of its Financial Years its21.1 .3 within ten days following the earlier of (i) the acquisition by the
Additional collateral owners of all Additional collateral ships and (ii)the last day of the last Availability Period to elapse, a pro forma balancesheet for the Group.
21.2 PROVISION ANO GONTENTS OF COMPLIANGE CERTIFIGATE
21.2.1 The Borrower shall supply a compliance Certificate to the Agent with eachset of its consolidated Annual Financial Statements and each set of itsQQuarterly Financial statements.
21.2.2 The Compliance certificate shall, amongst other things, set out (inreasonable detail) computations as to compliance with clause 22 (Financial(Covenants).
21.2.3 Each Compliance Certificate shall be signed by the Chief FinanciaOfficer and one member of the board of directors of the Borrower.:21.2.4 The Agent may consult with the Auditors about any certificate deliveredunder this clause 21.2 and, if reasonable grounds exist for believing thatit was not correct when delivered require them to give a written opinionto the Agent on such certificate and if anv such certificate is
established to be incorrect by the Auditors, the cost of such opinion will
be borne by the Borrower and, in any event, the cost of one such requested

- opinion in any Financial year shall be borne by the Borrower).


### 21.3 REQUIREMENTS AS TO FINANCIAL STATEMENTS

| 21.3.1 The Borrower shall procure that each set of Annual Financial statements |
| :--- |
| and Quarterly Financial statements includes a balance sheet, profit and |loss account and cashflow statement. In addition the Borrower shall procure=that:

(a) each set of Annual financial Statements shall be audited by the( $(\underline{b})$ each set of Quarterty financial statements is accompanied by unstatement by the directors of the Borrower commenting on theperformance of the Group for the Financial Quarter to which thefinancial statements relate and the Financial Year to date and anymaterial developments or proposals affecting the Group or itsbusiness;(—(ㅡ) each set of Quarterly Financial statements includes a schedule showingall ships together with such additional information in respect of suchships as the Agent may reasonably request; and
(-d) each set of Quarterly Financial statements is accompanied by a CNS

            Quarterly Report
    21.3.2 Each set of financial statements delivered pursuant to clauses 21.1 .1 and 21.1.2 (Financial statements) $\dot{\text { ( }}$
(i) the projected performance for that period set out in the Budget; and
(ii) the actual performance for the corresponding period in the
(c) shall be prepared using the Accounting Principles, accounting
practices and financial reference periods consistent with those
applied in the case of the Borrower, in the preparation of the Base
Gase Model unless, in relation to any set of financial statements, the
Borrower notifies the Agent that there has been a change in the
Accounting Principles or the accounting_practices and its Auditors
deliver to the Agent:
(i) a description of any change necessary for those financial statements to reflect the Accounting principles or wecounting
(ii) sufficient information, in form and substance as may be
reasonably required by, the Agent, to enable the Lenders to reasomably required by the Agent, to enable the Lenders to complied with and to make an accurate comparison between the financial position indicated in those financial statements and the Base Gase Model.

Any reference in this Agreement to any financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upen which the Base Gase Model was prepared.
(i) If the Borrower notifies the Agent of a change in accordance with clause 21.3.2(c) above then the Borrower and the Agent shall enter into negotiations in good faith (each acting reasonably) un a view agrecing.
(A) Whether or not the change might result in any material alteration in the commercial effect of any of the terms of this Agreement; and
(B) if so, any amendments to this Agreement and the Base Case Model which may be necessary to ensure that the change does not result in any material alteration in the commercial effect of those terms,
and if any amendments are agreed they shall take effect and be binding on each of the parties in accordance with their terms.
(ii) If no such agreement is reached within 30 days of that
notification of change, the Agent shall (if so requested by the Majority Lenders and at the cost of the Borrower (such costs to be reasonable), instruct the Auditors to determine any amendment to clause 22 ( Financial Covenants) which the Auditors (acting as experts and not arbitrators) consider appropriate to ensure the
change does not result in any material alteration in the
commercial effect of the terms of this Agreement. Those
amendments shall take effect when so determined by the Auditors.

### 21.3.3 If there is an Event of Default or if the Agent (acting reasonably)

 believes that an Event of Default is likely to occur, and in suchCircumstances, the Agent wishes to discuss the financial position of any member of the Group with the Auditors, the Agent may notify the Borrower, stating the questions or issues which the Agent wishes to discuss with the Auditors. In this event the Borrower must ensure that the Auditors are (authorised (at the expense of the Borrower):
(a) to discuss the financial position of each member of the Group with the (-(a) Agent on request from the Agent; and
(b) to disclose to the Agent for the Finance Parties any information which the Agent may reasonably request.

## 21.4- BUOGET

The Borrower shall supply to the Agent in sufficient copies for all the Lenders:
21.4.1 as soon as the same become available but in any event within 30 days before the start of each of its Financial Years, an annual Budget for that Financial Year; and
21.4.2 as soon as the same shall become available but in any event within 15 Cdays before the start of each Financial Quarter of its Financial Year, u, Budget for that Financial Quarter, provided that the first such Budget shall be delivered within 15 days of the date of this Agreement.

### 21.4.3 The Borrower shall ensure that each Budget:

(2) is in a form reasomably aceptable to the Agent and includes detailed =———projections in relation to expenses expected to be incurred in Carrying out Core Activities and other activities of the Group including, but not limited to, a projected consolidated profit and loss, balance sheet and cashflow forecast statement for the Grouthor "- projected catculations in respect of the covenants in clause 22 ( Financial Covenants), a schedule of proposed capital Expenditure, an FFA Trading Statement, an update of the employment of the Ships (including charter in and charter out rates) $/ \frac{1}{\text { a forecast of the Excess }}$ Gash and a commentary;

# 21.4.4 If the Borrower updates or changes the Budget, it shall promptly deliver 

 to the Agent, in sufficient cepies for each of the Lenders, such updated or changed Budget together with a written explanation of the main changes in that Budget.
## 21.5-PRESENTATIONS

Once in every financial year, or more frequently if requested to do so by the Agent if the Agent reasonably suspects a Default has occurred and is continuing or may have occurred or may occur at least two directors of the Borrower (one of whom shall be the chief financial officer) must give a "presentation to the Finance Parties about:
21.5 .1 the on going business and financial performance of the Group; and
21.5.2 any other matter which a Finance Party may reasonably request.
21.6 YEAR ENG
21.6.1 The Borrowor shall procure that each Financial Year end of each member of the Group falls on 31 December.
21.6.2 The Borrower shall procure that each quarterly accounting_period and each
Financial Quarter of each member of the Group ends on a Financial Quarter Day.

### 21.7 INFORMATION: MISCELLANEOUS

The Borrower shall (and shall procure that each other obligor shall) supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests) :

21.7.1 at the same time as they are dispatched, copies of all documents<br>dispatched by the Borrower or any Obligor to its shareholders generally (or (any class of them) or dispatched by the Borrower or any obligor to its Creditors generally (or anyclass of them);

21.7.2 promptly upon becoming aware of them, the details of any litigation, arbitration, other alternative dispute resolution or administrative =—proceodings which are current, threatened or pending against any member of the Group, and which, if adversely determined, are reasonably likely to - have a Material Adverse Effect or which would involve a liability, or a =-potential or alleged liability, exceeding Us $\$ 1,500,000$ (or its equivalent in other currencies)i
$9 \Theta$
21.7.3 promptly un on the incurrence of damage to a Ship or the Terminal in excess of US $\$ 500,000$ or Ethe details of such Total Loss or damage and details of any insurance ㅡproceds or Requisition Compensation due to a member of the Group in ——proceeds or Requisition Compensation due to a member of the Group in Connection with the same;
21.7.4 ten Business Days before the date of any proposed Permitted Share Issue/r = details of such Permitted Share Issue;
21.7.5 promptly upon becoming aware of the relevant claim, the details of any claim which is current, threatened or pending against the vendors or any other person in respect of the Acquisition Documents and details of ant disposal or insurance claim which will require a prepayment under clause 8.2 (Disposal Proceeds, Insurance Proceeds and Acquisition Proceeds);
21.7.6 promptly, such information as the security Agent or, as the case may be the Agent may reasonably require about the Charged Property and compliance Of the obligors with the terms of any Transaction Security Documents;
21.7 .7 promptly on request, sweh further information regarding the financiat condition, assets and operations of the Group and/or any member of the Group (including any computations necessary in order to establish
Compliance with the financial covenants in clause 22 (Financial Covemants).
any requested amplification or explanation of any item in the financiat
soran budgets or other material provided by any obliger under thi
Satements, budgets or other material provided by any obligor under this
ㅍ, enemer
= the Group, an up to date copy of its shareholders register (or equivalent
In its jurisdiction of incorporation any information regarding the ships,
the
salvages and copies of all charters and other contracts for their
Cemployment or otherwise howsoever concerning such ships) as any Finance Party through the Agent may request;
21.7.8 promptly on request, such additional information as required by any Finance Party under any applicable banking supervisory lawi and
21.7.9-promptly after exercising a-Purchase Option, the details of such-purchase Option including the proposed date of acquisition of the relevant purchase -Qption ship.
21.8 NOTIFIGATION OF DEFAULT AND GERTAIN EVENTS RELATING TO GHARTERED SHIPS
21.8.1 The Borrower shall (and shall procure that each other Obligor shall) notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless that Obligor is aware that a notification has already been provided by another (Obligor).
21.8 .2 Promptly upon a request by the Agent, the Borrower shall supply to the Agent a certificate signed by on its directors or enemior officers on its behalf certifying that no Default is continuing_(or if a Default is =continuing, specifying the Default and the steps, if ank being taken to (remedy it)
21.8.3 The Borrower shall (or shall procure that the relevant Charter Company shall) notify the Agent forthwith by fax (thereafter confirmed by letter) Of any:
(a) damage to a chartered ship requiring repairs the cost of which will or might result in such chartered ship being-placed off hire for a period longer than 14 days;

## (b) requisition of a chartered Ship for hire; or

## 21.9 "KNOW YOUR GUSTOMER" CHECKS

21.9.1 If:
(a) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
in paragraph (c) above, any prospective now Lender to carry out and be
satisfied with the results of all necessary "know your customer" or other
similar checks under all applicable laws and regulations pursuant to the
=transactions contemplated in the Finance Documents.
21.9.2 Each Lender shall promptly upon the request of the Agent supply, or ——procure the supply of, such documentation and other evidence as is required by the Agent (for itself) in order for the Agent to carry out and be
21.9.3 If the Borrower is obliged to procure that a member of the Group becomes an Additional security Provider pursuant to clause 23.32 (Security Providers), if the accession of such Additional security Provider obliges the Agent or any Lender to comply with "Know your customer" or similar Identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the - request of the Agent or any Lender supply, or procure the supply of, such =dacumentation and other evidence as is reasonably reauested by the Agent
(for itself or on behalf of any Lender) or any Lender (for itself or on
= behalf of any-prospective new Lender) in order for the Agent or such Lender O-Or any_prospective new Lender to carry out and be satisfied with the
results of all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the accession of such = subsidiary to this Agreement as an Additional security Provider.
21.9.4 The Borrower confirms that it is the beneficiary (within the meaning of section 8 of the German Money Laundering Act (Gesetz uber das Aufspuren von Gewinnen aus schweren Straftaten (Geldwaschegesetz) ) for each Loan made or to be made available to it. It shall promptly inform the Lenders (by Written notice to the Agent) if it ceases to be, the beneficiary (within the meaning of section 8 of the German Money Laundering Act (Gesetz uber = das Aufspuren von Gewinnen aus schweren Straftaten (Geldwaschegesetz) ) for -ach Loan made or to be made available to it and shall provide in writing.
to the Agent the name and the address of the beneficiary (within the
=meaning of section 8 of the German Money Laumdering. Act (Gesetz uber das Mufspuren von Gewinnen aus schweren Straftaten (Geldwaschegesetz) in respect of such Loan.

### 21.10-POST COMPLETION ADJUSTMENT

Within 10 days after the date of this Agreement, the Borrower shall deliver to the Agent, with sufficient copies for the Lenders if the Agent so requests, the statement produced by Investments \& Finance setting out the FInal EBITOA Adjustment (as defined in the Acquisition Agreement) together with dotails of the proposed purchase price adjustment and upon receipt or - meneration the =-respect of the acquisition price adjustment pursuant to section 2.2 of th Acquisition Agreament.
$\overline{\longrightarrow 2}$

## 22 FINANGIAL COVENANTS

### 22.1 FINANCIAL DEFINITIONS

For the purposes of this clause 22.1 the following expressions shall have the following meanings:
" "BORROWINGS" means Financial Indebtedness save for any indebtedness for or In respect of the items set out in paragraphs ( $\mathbf{I}$ ) or ( $\mathbf{k}$ ) (to the extent it retates to a guarantee of any of the items referred to in paragraph (f) of the definition) of the definition of Financial Indebtedness.
"CAPITAL EXPENDITURE" means any expenditure which, in accordance with the Accounting Principles, should be treated as capital expenditure in the audited consolidated financial statements of the Group-
"CURRENT ASSETS" means, at any relevant time of computation and in respect of any relevant period, the aggregate (calculated on a consolidated basis) Of the stock in trade and work in progress, marketable securities, cash and bank balances of the Group and moneys owing to the Group (other than moneys due or to become due from the Borrower or another member of the Group) =-parable on demand or within one year from the relevant date of computation.
"CURRENT LIABILITIES" means, at any relevant time of computation and in respect of any relevant period, the aggregate (calculated on a consolidated basis) of the obligations including contingent obligations of the Group to =-pay money (other than money due or to become due to the Borrower or another =member of the Group) on demand or within one year from the relevant date of = computation (including one fourth of the current portion of long-term (debt). during such period;
(c) the total amount of all scheduled (but not voluntary or mandatory) repayments of principal under the terms of any other rinancial Indebtedness (save for any revolving, overdraft or ancillary facility that is available for simultaneous re drawing according to its terms) made by the members of the Group or which fell due during such period, including the principal element of scheduled rontal payments which under the Accounting principles should be treated as a finance lease or otherwise capitalised on the books of such person, in accordance with such principles; and
(-d) dividends accued, declared or paid during that period.
"EBITDA" means, in respect of any period, the consolidated profit on ordinary activities of the Grown for such period:
(a) excluding any exceptional items and extraordinary items;
(b) after deducting_(to the extent otherwise included) any gain over book value arising in favour of a member of the Group, and after adding back (to the extent otherwise deducted) any loss against book value incurred by axtent otherwise deducted)
(i) a disposal of an asset (not being an asset disposed of in the ordinary course of trading.); and/or
$\overline{\text { (ii) a revaluation of an asset. }}$
(C) after adding back (to the extent otherwise deducted) Acquisition costs and the amortisation of such Acquisition costs;

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(- (d) after adding back (to the extent otherwise deducted) amortisation of [-Goodwill and other intanginle ussets;
(e) after adding back (to the extent otherwise deducted) depreciation and imparment charges;
( $£$ ) after adding back any deduction for Interest Payable and any other Interest (to the extent payable in cash) for which any member of the Group is liable;
(9.(9) after deducting_(to the extent included) Interest Receivable;
(—h) after adding back any deduction of Tax;
(i) after deducting the applicable share of any profit (except to the extent received by a member of the Group in cash) or after adding back the applicable loss of any joint venture or any other person which is not a member of the Group; and
=(.j) after deducting (to the extent otherwise included) profits (or adding back losses) attributable to minority interests in members of the Group (other than the Borrower)-I

In each case for such period.
"FINANCE LEASE" means any lease under which a member of the Group is the
lesse which is or should be treated as a finance lease under the Accounting Principles (and includes any hire purchase contract or other arrangement which is similarly treated).
"FINANGIAL QUARTER" means each period of approximately three months commencing on the day after a Financial Quarter Day and ending on the noxt following Financial Quarter Day.
"FINANGIAL QUARTER DAY" means 31 March, 30 June, 30 september and 31 December in any year.
"FINANGIAL YEAR" means the annual accounting_period of the Group ending on 31 December in each year.
"FLEET BOOK VALUE" means, at the end of a Relevant Period, the aggregate book value of the owned ships less depreciation as stated in the most recent financial statements delivered pursuant to clause 21.1 (Financial Statements).
"FLEET MARKET VALUE" means, at the date of calculation, the aggregate of the values of each of the owned ships as last determined in accordance with Clause 23.37 (Valuation of Owned Ships).
"FREE LIQUID ASSETS" means, at any given time, all cash and Gash Equivalent Investments held by the Group (including amounts standing to the credit of the Accounts) less an amount equal to the amount standing to the credit of the Retention Account.
"INTEREST" means, in respect of any specified Borrowings, all continuing regular or periodic costs, charges and expenses incurred in effecting servicing or maintaining such Borrowings including:
(a) gross interest, commitment fees, discount and acceptance fees and guarantee, fronting and ancillary facility fees payable or incurred on Cany form of such Borrowings;
(b) repayment and prepayment premiums payable or incurred in repaying or prepaying such Borrowingsi and
(c) the interest element of Finance Leases,

[^12] Or other up front fees.

[^13](b) net payments in relation to any hedging arrangements in respect of Borrowings (after deducting net income in relation to such hedging. arrangements)-
"INTEREST RECEIVABLE" means, in respect of any period, the amount of Interest accrued on cash balances of members of the Group with any Lender (lincluding the amount of interest accrued on the HSH Accounts, to the extent that the account holder is entitled to receive such interest) durine such period.

## CTELEVANT PERIOQ means each roxi土ng-period of 12 months ending on a

 Financial Quarter Day."TANGIBLE NET WORTH" means, at any relevant time and in relation to any Relevant period, the aggregate of the amount paid up or credited as paid up On the Borrower's issued share capital and the amount of the consolidated capital and revenue reserves of the Group (including any share premium accumt, capital redemption reserve fund and any credit balance on the consolidated profit and loss account of the Group) all as shown by the then latest consolidated balance sheet and profit and loss account of the Group delivered under this Agreement but after:
(a) deducting any debit balance on such consolidated profit and loss account unless it has already been deducted from the consolidated capital and revenue reserves of the Group;
(b) deducting an amount equal to the positive amount (if any) determined by deducting-(i) the accumulated depreciation amounts taken from the latest audited financial statements of the Borrower from (ii) the corresponding accummlated minimum depreciation amounts specified in the table below, in respect of the relevant Financial Year and the relevant assets of the Borrower:

| 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Financial Year (MILLION)_(MILLION)-(MILLION) -(MILLION)-(MILLION) -(MILLION) |  |  |  |  |  |
|  |  |  |  |  |  |
| Vessels 4.724 | 15.140 | 16.228 | 16.228 | 16.228 | 16.228 |
| $\begin{array}{lllllllllllll}\text { peferred costs } & 1.351 & 1.351 & 1.351 & 1.351 & 1.351 & 1.351\end{array}$ |  |  |  |  |  |
| Port (incl. |  |  |  |  |  |
| Fotal 10.925 32.330 33.419 33.419 33.419 33.419 |  |  |  |  |  |
| 2011 | 2012 | 2013 | 2014 | 2015 |  |
| Financial Year (MILLION)-(MILLION)-(MILLION)-(MILLION)_(MILLION). |  |  |  |  |  |
| $\begin{array}{llllll}\text { Intangible } & 13.486 & 13.486 & 5.441 & 5.441 & 5.441\end{array}$ |  |  |  |  |  |
| $\begin{array}{llllll}\text { Vessels } & 16.883 & 17.423 & 18.574 & 18.574 & 19.474\end{array}$ |  |  |  |  |  |
| peferred costs 1.351 0-0 0-0 |  |  |  |  |  |
| Port (incl. |  |  |  |  |  |
| Intangibles) 2.354 2.354 2.354 2.354 2.354 <br> ( 2.354     |  |  |  |  |  |
| Fotal 34.073 | 33.263 | 26.370 | 26.370 | 26.370 |  |

工(E) deducting-(i)_(so far as not otherwise excluded as attributable te minority interests) a sum equal to the aggregate of the amount by which the book value of any tangible or intangible assets of any member of the Group has been written up after the date of the
I- ISE Navios Merger (as reflected in the opening balance sheet to be [provided pursuant to clause 21.1.3 (Financial statements)) (or, in the - case of a company becoming a subsidiary after that date, the date on which that company became a Subsidiary) by way of revaluation, (where, for the purposes of this paragraph (c) any increase in the book value of any tangible or intangible asset resulting from its transfer by one member of the Group to another member of the Group shall be deemed to member of the Group to another member of the Group shall be deemed an result from a writing up its book value be at the date of the

$$
\begin{aligned}
& \text { (ii) the difference between the book values at the date of the } \\
& \text { ISE-Navios Merger (as reflected in the opening balance sheet to }
\end{aligned}
$$

ISE-Navios Merger (as reflected in the opening balance sheet to be ( values shown in the Form S 4 dated 27 May 2005 unless the difference Is less than two per cent. and (iii) the positive amount (if any) determined by deducting US\$70, OOQ, OOQ from the amount of goodwill , 1
(d) deducting the amount by which the Fleet Book value as at the end of he Relevant Period exceeds the fleet Market value and after addine the amount by which the Fleet Market value exceeds the Fleet Book value as at the end of the Relevant Period;
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(e) excluding any amounts set aside for taxation as at the date of such balance sheet and making such adjustments as may be appropriate in respect of any significant additional taxation expected to result from transactions carried out by any member of the Group after such date and not reflected in that balance sheet;
(f) deducting all amounts attributable to minority interests in subsidiaries of which $100 \%$ of the assets and liabilities are included in the then latest consolidated balance sheet of the Group;
-(.9.) making such adjustments as may be appropriate in respect of any variation in the amount of such paid up share capital or any such reserves after the date of the relevant balance sheet (but so that no such adjustment shall be made in respect of any variation in profit and loss account except to the extent of any profit or loses calculated on a cumulative basis, recorded in the then latest consolidated profit and loss account of the Group delivered to the Agent beiore the date of this Agreement, of tmder clause 21. (Financial statements), in respect of any subsequent period)-
(Ch) making such adjustments as may be appropriate in respect of any
distribution declared, recommended or made by any member of the Group
(otherwise than attributable directly or indirectly to the Borrower Out of profits earned up to and including the date of the latest
(i) making such adjustments as may be appropriate in respect of any variation in the interests of the Borrower in its subsidiaries and the other members of the Group since the date of the latest published audited consolidated balance sheet of the Groupi
(j) if the calculation is required for the purpose of or in connection with a transaction under or in connection with which any company is to beome or cease to be a subsidiary of the Borrower or a member of the Group, making all such adjustments as would be appropriate if that transaction had been carried into effect:
(K) making such adjustments as may be appropriate in the opinion of the Agent in order that the above amounts are calculated in accordance with the Accounting Principles;

# (1) making such adjustments as may be appropriate in respect of variations 

 in shareholder's equity (including such variations arising from the issuance of shares and/or the exercise of warrants); and(III) deducting such amounts as may be appropriate in respect of any of the issued share capital of the Borrower which has been acquired by the Borrower (including pursuant to the conversion and appraisal rights in connection with the ISE Navios Merger).
in each case, during such period.
"TOTAL DEBT" means, at any time, the aggregate outstanding_principar/ Capital or nominal amount of all Borrowings of the Group calculated on a Consolidated basis, less the amount standing to the credit of the Retention Account, at that time.

### 22.2 FINANGIAL CONOITION

The Borrower shall ensure that:
22.2.1 MINIMUM NET WORTH: Tangible Net Worth shall, at all times for each of the "periods specified in column I below, be or exceed the amount set out in column 2 below opposite the applicable period

| PERIOD | AMOUNT (US\$) |
| :---: | :---: |
| Closing Date to 31 December 2005 | 200,000,000 |
| 1 January 2006 to 31 March 2006 | 207, 500,000 |
| 1 April 2006 to 30 Jume 2006 | $215,000,000$ |
| 1 July 2006 to 30 September 2006 | $222,500,000$ |
| 1 October 2006 to 31 December 2006 | $230,000,000$ |
| 1 Jantury 2007 to 31 March 2007 | $235,000,000$ |
| 1 April 2007 to 30-June 2007 | 240, 000,000 |
| 1 July 2007 to 30 September 2007 | $245,000,000$ |
| 1 October 2007 to 31 December 2007 | $250,000,000$ |
| 1 January 2008 to 31 March 2008 | $256,250,000$ |
| 1 April 2008 to 30 June 2008 | 262, 250, 000 |
| 1 July 2008 to 30 September 2008 | 268,750,000 |
| 1 October 2008 to 31 December 2008 | 275, 000 , 000 |
| 1 Janmary 2009 to 31 March 2009 | 281, 250,000 |
| 1 April 2009 to 30 June 2009 | 287, 500, 000 |
| 1 July 2009 to 30 September 2009 | 293, 750,000 |
| 1 October 2009 to 31 December 2009 | $300,000,000$ |
| 1 Jantury 2010 to 31 December 2010 | $325,000,000$ |
| 1 January 2011 to the last Repayment Date under clause 6.1 |  |
| (Repayment of the Loans) | $340,000,000$ | 22.2.2 SOLVENGY: the percentage that Tangible Net Worth is of the aggregate of = periods specified in column 1 below be less than the percentage figure set out in column 2 below opposite the applicable period.


22.2.3 DEBT COVER: Debt Cover in respect of any Relevant Period ending during the periods specified in column I beIow shatl not exceed the ratio set out in column 2 below opposite the applicable period.


| PERIOD | PATIO |
| :---: | :---: |
| Glosing Date to 31 December 2007 | 6.50:1 |
| 1 Jantary 2008 to 31 December 2008 | 6.00:1 |
| 1 January 2009 to 31 December 2009 | 5.50:1 |
| 1 January 2010 to 31 December 2010 | 5.00:1 |
| 1 January 2011 to 31 December 2011 | 4.50:1 |
| 1 Janwary 2012 to 31 December 2012 | 4.00:1 |
| 1 January 2013 to 31 December 2013 | $3.50: 1$ |
| 1 January 2014 to 31 December 2014 | $3.00: 1$ |
| 1 January 2015 to the last Repayment Date under clause 6.1 |  |
| (Reprymment of Loans) | 2.50:1 |

### 22.2.4 MINIMUM LIQUIDITY: the Group shall, at all times from the date of this

 Agreement and in respect of any relevant period during the term of this Agreement, maintain Free Liquid Assets in an amount of not less than $=\$ 40,000,000$.－planned Gapital Expenditure specified in the Budget delivered pursuant to clause 21．4．1（Budget）by an amount greater than 10 per cent．Without the prior written consent of the Agent．

22．2．6－CURRENT RATIO：the Current Ratio shall，at all times from the date of this Agreement and in respect of any relevant period during the term－of this Agreement，be higher than 1．00：1．

### 22.3 FINANGIAL TESTING

22．3．1 The covenants in clauses 22．2．1（Minimum Net Worth）to 22．2．4（Minimum Liquidity）（inclusive）and clause（Current Ratio）shall be tested on the last day of each rinancial Quarter（save that the covenants in clauser 22．2．1（Minimum Net Worth）to 22．2．3（Debt Cover）and clause 22．2．6 －（Gurrent Ratio）shall Irst be tested on 31 becember 2005）and the covenant IIn clause 22．2．5（Gapital Expenditure）shall be tested at the end of each
 to the Agent in accordance with clause 21.2 （provision and contents of Compliance Certificate）．

22．3．2 In the event that a Default（a）has occurred and is outstanding or（b） the Agent，acting reasonably，believes a Default has occurred，the Agen shall be entitled to test the covenants in clauses 22．2．1（Minimum Net Worth）to 22．2．6（Current Ratio）inclusive as at that date．The Agent shat Tontify 22.3 .2

22．3．3 Following the giving of notice pursuant to clause 22．3．2 above，the Borrower shall deliver to the Agent such further financial information as the Agent may require to test the covenants referred to in clause 22.3 .2 Within five days of such request．<br>23 GENERAL UNOERTAKINGS

The undertakings in this clause 23 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force．
AUTHORISATIONS ANQ COMPL IANGE WITH LAWS
$\qquad$

## 23．1 AUTHORISATIONS

The Borrower shall（and shall ensure that each member of the Group shall）－ promptly：
23.1 .1 obtain，comply with and do all that is necessary to maintain in full force and effect；and
23.1 .2 supply certified copies to the Agent of
any Authorisation required under any law or regulation of a Relevant Jurisdiction to：
（a）enable it to perform its obligations under the Finance Documents and the Acquisition Documents；
（b）ensure the legality validity，enforceability or admissibility in evidence of any Finance Document or Acquisition Document；and
（C）carry on its business where failure to do so has or is reasomably likely to have a Material Adverse Effect．

23.2 COMPLIIANGE WITH LAWS

The Borrower shall（and shall ensure that each member of the Group shall） comply in all respects with all laws to which it may be subject，if failure so to comply has or is reasomably likely to have a Material Adverse Effect．

## 23．3 ENVIRONMAENTAL COMPLIANCE

The Borrower shall（and shall ensure that each member of the Group shall）：
23．3．1 comply with all Environmental Laws；
33.3 .2 obtain，maintain and ensure compliance with all requisite Environmental Permits；and

23．3．3 implement procedures to monitor compliance with and to prevent liability －under any Environmental Law．

## 23．4 ENVIRONMENTAL CLAIMS

The Borrower shall（and shall ensure that each member of the Group shall）－r ＂promptly upon becoming aware of the same，inform the Agent in writing of：
23．4．1 any Envirommental Claim against any member of the Group which is current／ ＂pending or threatened；and

23．4．2 any facts or circumstances which are reasomably likely to result in ant Envirommental Claim being commenced or threatened against any member of the Group／

Where the claim，if determined against that member of the Group，has or is reasomably likely to result in any member of the Group incurring a liability in excess of US $\$ 500,000$ or its equivalent．

### 23.5 TAXATION

23．5．1 The Borrower shall（and shall ensure that each member of the Group shall） ＝pay and discharge all Taxes imposed upon it or its assets within the time三—period allow without incurring＿penalties unless and only to the extent工that：

工（a）such parment is being contested ingood faith；
（b）adequate reserves are being maintained for those Taxes and the costs required to contest them which have been disclosed in the latest financial statements delivered to the Agent under clause 21． （financial statements）i and

# 23.5.2 No member of the Group-may change its residence for Tax purposes. 

RESTRICTIONS ON BUSINESS FOCUS

### 23.6 MERGER

The Borrower shall not (and shall ensure that no other member of the Group shall) enter into any amalgamation, demerger, merger, consolidation, corporate reconstruction or redomiciliation (for the avoidance of doubt only, other than the ISE Navios Merger which has been completed):

23.7 CHANGE OF BUSINESS<br>The Borrower shall procure that no substantial change is made to the =-general nature of the business of the Borrown, the obligors or the Group taken as a whole from that carried on by the Target Group, immediately "prior to the Completion.<br>23.8-AGQUISITIONS<br>23.8.1 Except as permitted under clause 23.8.2, the Borrower shall not (and shall ensure that no other member of the Group shall):<br>(a) acquire a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them); or<br>\section*{(b) incorporate a company.}<br>23.8.2 Clause 23.8 .1 does not apply to an acquisition of a company, of shares, securities or a business or undertaking (or, in ach acase, any interest in =any of them) or the incorporation of a-company which is:<br>(a) a Permitted Acquisition; or<br>(b) a Permited Transaction.

### 23.9 JOINT VENTURES

The Borrower shall not (and shall ensure that no member of the Group shall).
(2) enter into, invest in or acquire (or agree to acquire) any shares/ stocks, securities or other interest in any joint venture (other than Acropolis Chartering and Shipping Inc.);ior
(b) transfer any assets or lend to or guarantee or give an indemnity for or give security for the obligations of a Joint venture or maintain the solvency of or provide working capital to any Joint venture.(or - agree to do any of the foregoing.).

### 23.10 HOLDING COMPANIES

The Borrower shall not trade, carry on any business, own any assets or =incur any liabilities except for:
23.10.1 the provision of administrative services (excluding treasury services) to other members of the Group of a type customarilypprovided by a holding company to its subsidiaries;
23.10 .2 ownership of shares in its subsidiaries, intra Group debit balances and credit balances in bank accumts, cash, Gash Equivalent Investments and Group insurance policies but only if those shares, credit balances, cash, Gash Equivalent Investments and insurance policies are subject to the Transaction security; and

### 23.10 .3 any liabilities under the Transaction Documents to which it is a party

 and professional fees and administration costs in the ordinary course of business as a holding compant-r$$
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$$

## and the restrictions in this clause 23.10 shall override any other part of

 I this clause 23 which would otherwise permit the Borrower to do anything "prohibited by this clause 23.10.
### 23.11 DORMANT SUBSIDIARIES

The Borrower shall not (and shall ensure no member of the Group shall) cause or permit any member of the Group which is a Dormant subsidiary to commence trading or cease to satisfy the criteria for a Dormant Subsidiary unless such Dormant Subsidiary becomes an Additional Security Provider in accordance with clause 26.2 (Additional Security Providers).

RESTRICTIONS ON DEALING WITH ASSETS ANO SECURITY

### 23.12 PRESERVATION OF ASSETS

The Borrower shall (and shall ensure that each member of the Group shall) maintain in a good state of repair and in good working order and condition =Cordinary war and tear excenced) all of its assets necesaryy or desirable =in the conduct of its business.

### 23.13 PARI PASSU RANKING

## The Borrown shatl (and shall ensure that each other obligor shall) ensure

 that at all times any unsecured and unsubordinated claims of a Finance Party or Hedge Counterparty against it under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to companies.
### 23.14 AGQUISITION DOCUMENTS

23.14.1 The Borrower shall promptly pay all amounts payable to the vendors under the Acquisition Documents as and when they become due (except to the extent that any such amounts are being contested in good faith by a member of the (Group and where adequate reserves are set aside for any such payment).

23.14.2 The Borrower shall (and shall procure that each relevant member of the<br>Group shall) take all reasomable and practical steps to preserve and enforce its rights (or the rights of any other member of the Group) and =-pursue any claims and remedies arising under any Acquisition Documents.

23.15.2 The Borrower shall not (and shall ensure that no other member of the Group shall):-
(a) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re acquired by an obligor or any other member of the Group;
(b) sell, transfer or otherwise dispose of any of its receivables on - recourse terms;
(c) enter into any arrangement under which money or the benefit of a bank - Or other account may be applied, set off or made subject to a combination of accounts; of
(d) enter into any other preferential arrangement having a similar effect, 101

in circumstances where the arrangement or transaction is entered into<br>primarily as a method of raising Financial Indebtedness or of financing the三—acquisition of an asset.

23.15 .3 Clauses 23.15 .1 and 23.15 .2 do not apply to any security or (as the case (may be) Quasi security which is:
(a) Permitted Security; or
=(b) a Permitted Transaction.

### 23.16 DISPOSALS

23.16.1 Except as permitted under clause 23.16.2, the Borrower shall not and Shall ensure that no member of the Group shally) enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset.
23.16 .2 Clause 23.16 .1 does not apply to any sale, lease, transfer or other 23.16.2 disposal which is:
(a) a Permitted Disposal; or

## (b) a Permitted Transaction.

### 23.17 ARM'S LENGTH BASIS

23.17.1 Except as permitted by clause 23.17.2, the Borrower shall not (and shall Censure no member of the Group shally) enter into any transaction with any "person except on arm's length terms and for full market value.
23.17 .2 subject to clause 23.42 (Ring fencing.), the following transactions shatl not be a breach of this clause 23.17:

## (르) Intra Group Loans;

(b) fees, costs and expenses payable under the Transaction Documents in the amounts set out in the Transaction Documents delivered to the Agent under clause 4.1 (Initial conditions precedent) or agreed by the $\begin{array}{r}\text { Agent } \\ \hline-\quad \text { Agenti and }\end{array}$
(C) any Permitted Transactions.

RESTRICTIONS ON MOVEMENT OF GASH CASH OUT

### 23.18 LOANS OR GREDII

23.18.1 Except as permitted under clause 23.18.2, the Borrower shall not (and shall ensure that no member of the Group shall) be a creditor in respect of any Financial Indebtedness.
23.18 .2 subject to clause 23.42 (Ring fencing.)/ clause 23.18 .1 does not apply to:
(- (a) a Permitted Loan; or
(b) a Permitted Transaction.

### 23.10 NO GUARANTEES OR INOEMNITIES

23.19.1 Except as permitted under clause 23.19.2, the Borrower shall not (and shall ensure that no member of the Group shall) incur or allow to remaid Outstanding any guarantee in respect of any obligation of any person.
23.19.2 Subject to clause 23.42 (Ring fencing.), clause 23.19.1 does not apply to a guarantee which is:
(a) a Permitted Guarantee; or
(c) pay or allow any member of the Group to pay any management, advisory (c) or other fee to or to the order of any of the shareholders or other Affiliates (other than a member of the Group) of the Borrower; of
(d) redeem, repurchase, defease, retire or repay any of its share capital昰
23.20.2 subject to clause 23.42 (Ring fencing), clause 23.20.1 does not apply to:
(—a) a Permitted Distribution;
(b) a Permitted Transaction (other than one referred to in paragraph (c) Of the definition of that term);iof
(c) fees payable by the Borrower to its managers or advisers which are on an arm's length basis and are of the kind and the amount payable in the market by-prudent companies engaged in business similar to that of

RESTRICTIONS ON MOVEMENT OF GASH GASH IN

### 23.21 FINANCIAL INOEBTEDNESS

23.21.1 Except as permitted under clause 23.21.2, the Borrower shall not (and shall ensure that no member of the Group shall) incur or allow to remain outstanding any Financial Indebtedness.
23.21.2 Clause 23.21.1 does not apply to Financial Indebtedness which is:
(a) Permitted Financial Indebtedness; or
(b) a Permitted Transaction.

### 23.22 SHARE CAPITAL

### 23.23 INSURANCE

23.23.1 The Borrower shall (and shall ensure that each member of the Group shall) maintain insurances on and in relation to its business and assets against those risks and to the extent as is usual for companies carrying on the same or substantially similar business and, without prejudice to the
$\qquad$
generality of the foregoing, each collateral Owner shall maintain the Ship Insurances in relation to its collateral ship in accordance with the ㅡ. Mortgage for such Collateral Ship.

### 23.23.2 All insurances must be with reputable independent insurance companies of underwriters.

23.23.3 Where insurances and risks have been identified in the Insurance Report, the Borrower shall ensure the insurances maintained provide cover at least In respect of the business and assets and against the risks and to the =extent recommended in the Insurance Report.
23.23.4 If requested by the Agent, the Borrower shall, within ten Business Days Of receipt of such request, supply to it proof of cover in respect of anch insurance policy required to be taken out and maintained pursuant to this clause 23.23 and shall use its best endeavours to procure that any insurance broker then appointed by the Group undertakes to the Agent te notify the Agent should any renewal fee or other sum payable by any membe Of the Group in relation to any insurance policies arranged by that broker not be paid when due.

### 23.24 PENSIONS

23.24.1 The Borrower shall ensure that the pension schemes for the time being Operated by the Group- (if any) are funded in accordance with their rules and to the extent required by law or otherwise comply with the requirements of any law applicable in the jurisdiction in which the relevant pension scheme is maintained.

### 23.24.2 The Borrower shall deliver to the Agent on demand at such times as those

 reports are prepared in order to comply with the then current statutory or auditing requirements (as applicable either to the trustees of any relevan schemes or to the Borrower) actuarial reports in relation to all pension schemes mentioned in clause 23.24.1 above.23.24.3 The Borrower shall promptly notify the Agent of any material change in the rate of contributions to any pension schemes mentioned in clause 23.24.1 above paid or recommended to be paid (whether by the scheme actuary Or otherwise) or required (by law or otherwise).

### 23.25 ACCESS

The Borrower shall (and shall ensure that each member of the Group shall)
(C) ensure that such replacement enters into a service contract.
23.26.3 The Borrower shall ensure that no member of the Group amends, varies, waives, novates, supplements or replaces any term of a service contract in a way wich is or is reasomably likely to be materially prejudicial to the interests of the Finance parties.

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23.27 DIRECTOR'S FEES

The Borrower shall not (and shall procure that no other member of the Group shall) remumerate its directors and/or officers in excess of the amounts disclosed to the Agent or, if such directors or officers are Key Personne the amounts provided for in the Service contracts (each in their respective forms as at the date of this Agreement) provided always, in each asase, that such amounts shall not be in excess of amounts payable in the market by prudent companies engaged in business similar to that of the Borrower.

### 23.28 INTELLECTUAL PROPERTY

23.28.1 The Borrower shall procure that each Group member shall:
(2) (z) preserve and maintain the subsistence and validity of the Inteljectual property necessary for the business of the relevant Group member (the "MATERIAL INTELLECTUAL PROPERTY" )-і
(b) use reasonable endeavours to prevent any infringement in any material respect of the Material Intel lectual Property;
(C) make registrations and pay all registration fees and taxes necessary "to maintuin the Material Intellectual Property in full force and
effect and record its interest in that Material Intellectual Property;
(d) not use or permit the Material Intellectual Property to be used in a Way or take any step or omit to take any step in respect of that Material Intellectual Property which may materially and adversely
affect the existence or value of the Material Intellectual Property of I imperil the right of any member of the Group to use such property; and
(e) not discontinue the use of the Material Intellectual Property.

### 23.29 AMENDMENTS

The Borrower shall ensure that no member of the Group shall amend, vary, Inovate, supplement, supersede, wave or terminate any term of a Tramsaction 4 1 any other document delivered to the Agent pursuant 10 clause obligors) or enter into precedent) or clause 26 (Macters cors of the Borrower Obligors) or enter into any agreement with any shareholders of the Borrou Or any of their Affiliates which is not a member of the Group except in -writing:
33.29 .1 in accordance with the provisions of clause 36 (Amendments and wavers)i $\xrightarrow{O F}$
23.29.2 in a way which could not be reasonably expected materially and adversely to affect the interests of the Lenders.
23.29.3 The Borrower shall promptly supply to the Agent a copy of any document relating to any of the matters referred to in clauses 23.29.1 and 23.29.2 - above.
23.29.4 The reference to waiving any term of a Transaction Document in this clause 23.29 includes (i) any waver (in whole or in part) of any condition工precedent (however described) under the Iransaction Documents or (ii) ant Waiver (in whole or in part) of any breach (including any
misrepresentation) of, or non-compliance with, any term of the Transaction Documents which would entitle such obliger to terminate its obligations (in Whole or in part) under such Transaction Document or (iii) ank
determination or acceptance that any such condition precedent is satisfied - determin such Transaction Document is unconditional if any such condition procedent IS not fulfilled or any such breach or non compliance has occurred.

### 23.30 FINANGIAL ASSISTANGE

The Borrower shall (and shall procure that each member of the Group shall)comply in all respects with sections 151 to 158 of the Act and any =oquivalent legislation in other jurisdictions including in relation to the execution of the Iransaction security pocuments and payment of amounts due under this Agreement.

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23.31 TREASURY TRANSACTIONS
23.31 .1 The Borrower shall procure that no obligor shall enter into any Treasury Transaction, other than:
(- a) the hedging transactions contemplated by the Hedge Strategy Letter and documented by the Hedge Agreements:
(b) spot and forward delivery foreign exchange contracts entered into in the ordinary course of business and not for speculative purposes;
(c) Permitted FFAs; and
(-d) any other Treasury Transaction entered into for the hedging of actual or projected real exposures arising in the ordinary course of trading. activities of a member of the Group for a period of not more than six
months and not for speculative purposes.正
23.31.2 The Borrower shall ensure that all hedging arrangements contemplated by the Hedge Strategy Letter are implemented in accordance with the terms of the Hedge Strategy Letter and clause 5.6 (Hedge transactions) and that such arrangements are not terminated, varied or cancelled, save in the case of arrangements documented by the Hedge Agreements) as permitted by this clause 23.31.

Of the Group) that it will not terminate any Hedge Agreement except:
(a) as a result of the non-payment by the relevant member of the Group of any indebtedness under that Hedge Agreement which has fallen due for payment in the currency and manner stipulated in the relevant Hedge Agreement before the expiry of any applicable cure period (or, if no cure period is prescribed in the relevant Hedge Agreement, three Business Days);
(b) as a result of the repudiation of that Hedge Agreement by the relevant member of the Group:

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C(c) upen the issue by the Agent of a notice under clause 24.20
    (Acceleration)-i
``` of that Hedge Agreement or such obligations become invalid of unenforceable against that member of the Group; of
ii) any termination provision of any Hedge Agreement to which that Hedge Counterparty is a party (including the calculation of or obilgation to pay amounts upon such termination) becoming invalie or unenforceable against the relevant member of the Group;
(e) upon any exchange control, foreign currency or other Authorisation e) upon any ex change control, foreign-currency or other Authorisation required by the relevant member of the Group in connection with the entry into, validity, enforceability or admissibility in evidence uny Hedge Agrecment or the performance of its pame being modified in a manner unacceptable to such Hedge counterparty or not being granted, being revoked or otherwise ceasing. to be in full force and
(- (f) upon the making of an order for the winding up of, or the
administration of, or the appointment of a receiver in respect of any part of the assets and/or undertaking of, or the dissolution of, the relevant member of the Group-(or any analogous provision in any other jurisdiction);-OF
(.(9.) with the prior written consent of the Agent.
23.31.4 Each Hedge Agreement (other than the HSH ISDA Agreement which is in a arm approved by the parties) shall be on the terms of the International Swaps \& Derivatives Association, Inc. 2002 or 1992 Master Agreement (CMuticurrency Gross Border) under which:
(a) in the case of the 1992 Master, "Second Method" shall be specified as the applicable prument methed and "Market ourtation" ac shectiled as "payment measure;
\begin{tabular}{l} 
(b) no additional rights of set off beyond those contained in this \\
\hline \hline Agreement shall be specified; and \\
\hline (c) the governing law is English law.
\end{tabular}
23.31.5 Each Hedge Counterparty and the Borrower agrees that any termination of other payment payable by a Hedge counterparty to the Borrower or any

\subsection*{23.31.6 Any termination or other payment received by the Borrower or any other} member of the Group in respect of a Treasury Transaction other than a Hedge Agreement with a Hedge Counterparty) shall be paid immediately on receipt to the relevant Obligor's operating Account or, if the relevant Obligor does not have an operating Account, the Working Capital Account.

\subsection*{23.32 SECURITY PROVIDERS}

\subsection*{23.32 .1 subject to clause 23.32 .3 , the Borrower shall procure that:} (a) upon the acquisition or formation of a new subsidiary of the Borrower subsidiary which has financed the acquisition of a purchase option Ship from funds provided by a Third party Financier in accordance with Clause 23.21 (Financial Indebtedness) (in which case clause 23.43 (Purchase Option Subsidiaries) shall apply) or (iii) each Additional collateral owner (in which case the general provisions of this Agreement shall apply with respect to security to be provided pursuant to this Agreement (including, without limitation, the provisions of clause 4.1 (Initial conditions Precedent)) and the Transaction security Documents); Of
(- (b) upon the re activation of a Dormant Subsidiary which is not providing. security-pursuant to the Transaction Security Documents;-of the Transaction Security Documents commencing, carrying on or materially extending its trading activity, of acquiring, or holding materianty
(d) upon any Purchase Option Subsidiary ceasing to be a Purchase Option Subsidiary provided that it is not already a security Provider
such former Purchase Option Subsidiary, Subsidiary or Dormant Subsidiary, as the case may be, shall become an Additional security Provider and (i) grant security, in form and substance satisfactory to the Agent,
- incorporating provisions substantially the same as the Iransaction security Documents and (ii) provide the documents and evidence listed in part III of Schedule 3 (conditions Precedent) to the Agent, in form and substance =satisfactory to the Agent.

\title{
(— (b) result in a material restructuring of the Group;
}
(c) be prohibited by statute or be beyond the corporate power of the company or corporation concerned (and then only if such corporate pouer cannot be modified or extended to allow such execution and delivery); or

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\section*{(d) result in a benefit to the rinance parties which is disproportionately} min in comparison with the cost thereby caused to the Group.

> 23.32.4 The Agent shall notify the Borrower and the lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it all the documents and evidence listed in clause 23.32 .1 in relation to an =Additional security Provider.

\subsection*{23.33 FURTHER ASSURANCE}
23.33.1 The Borrower shall (and provided that the same are not prohibited by any 23.33. obligations typally oranted a Third Party Financier, shall procure that each member of the Group shall) promptly do all such acts or execut I- all such decuments (including assionenter execute
 Secured Partios or as (and in such form as the security Agent or as the case may the Age - (an may reasomaby y be, the secured parties or its/their nominee(s).):
(a) to perfect the security created or intended to be created under or evidenced by the Transaction Security Documents (which may include the execution of a mortgage, pledge, charge, assignment or other security over all or any of the assets which are, or are intended to be, the subject of the Transaction security) or for the exercise of any rights, parties provided by or pursuant to the Finance Documents or by law
(b) to confer on the security Agent or confer on the Finance parties security over any property and assets of that obligor located in any jurisdiction equivalent or similar to the security intended to be conferred by or pursuant to the Transaction Security Documents; and/or

\section*{(c) to facilitate the realisation of the assets which are, or are intended} to be, the subject of the Iransaction security.

\subsection*{23.33.2 The Borrower shatl and-shax procure that each member of the Group- shat} take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, - perfection protection or maintenance of any security conferred or intended Ito be conferred on the security Agent or any of the other finance parties by or pursuant to the Finance Documents.
23.33.3 The Borrower authorises the Security Agent to file any Uniform Commercial Gode financing statements it believes are either necessary or = desirable in connection with the Transaction Security Documents.

\subsection*{23.34 SYADIGATIOA}

The Borrower shall provide reasonable assistance to the Arranger in the =-preparation of the Information Memorandum and the primary syndication on The Facilities (including, without limitation, by making Key Personnel available for the purpose of making presentations to, or meeting, potential lending institutions) and shall comply with all reasonable requests for I information frompotential symicate members prior to completion of "syndication.

\subsection*{23.35 CHIEF EXECUTIVE OFFICER}

Without prejudice to clause 24.13 (Change of Management), the Borrower shall ensure that Mrs Angeliki Frangou remains at all times its Chief Executive Officer.

\subsection*{23.36- FUTURE CHARTERS AND CONTRAGTS OF AFFREIGHTMENF}
23.36.1 The Borrower shall not (and shall procure that no other member of the Group-(0ther than a Purchase Option Subsidiary or New Share Issue Subsidiary) shall) without the prior written consent of the Agent (which the Agent shall have full liberty to withhold) and, if such consent is = given, subject to such conditions as the Agent may impose (including, for the avoidance of doubt, those included in clause 23.36.3), take on charter or sub-charter or, as the case may be, charter to a third party, in each case a Ship:

\footnotetext{
(a) on demise charter for any period;
}
(b) by any time of consecutive verage charter for a term- which exceeds or which by virtue of any optional extensions therein contained might exceed 11 months duration;
(c) on terms whereby more than twonths' hire (or the equivalent) is payable in advance;
(d) below the market rate prevailing at the time when such ship is fixed or other than on arm's length terms;
(e) on terms that provide for a purchase option in relation to such shipi OF
(f) in the case of a chartered ship, when the relevant contract is not entered into by a charter company.
23.36.2 The Borrower shall not (and shall procure that no obligor shall) enter into a contract of affreightment which exceeds or which by virtue of any Optional extensions therein contained might exceed 11 months duration/ Without the prior written consent of the Agent.
the Ship is subject to security in favour of a third party which is
- permitted pursuant to this Agreement, such assigmment shall be on a
second ranking basis) of such charter or contract of affreightment and
    following receipt of a request from the Security Agent (which may be
    lelivered at any time in the sole discretion of the security Agent
    whether acting on the instructions of the Lenders or otherwise)
    promptly procure that a related notice of assignment is served on the
    relevant counterparty and the acknowledgement thereof is given by the
    orpartyiand
(b) pay all legal and other costs incurred by the Agent, the security Agent and any other Finance party in connection with such charter assignment.

\subsection*{23.37 VALUATION OF OWINED SHIPS}
33.37 .1 Without prejudice to the rights of the Agent under clause \(23.53(\underline{b})\). ( (Security Value Maintenance) to obtain valuations of the collateral Ships at any time, the Borrower shall deliver to the Agent twice in each Financial Year, at the same time as delivering to the Agent:
(a) its audited annual consolidated financial statements for the =(a) immediately preceding Financial Year, pursuant to clause 21.1.1 (Financial statements)-i and
(b) its unaudited consolidated financial statements for the second b) Financial (Financial statements)/r
a valuation (in dollars) dated no earlier than 30 days prior to the delivery of such financial statements of each of the owned ships. Such Valuation shall be made by two Approved Brokers approved by the Agent (each Such valuation to be made with or without physical inspection (as the Lenders may reasonably require), and on the basis of a sale for prompt delivery har and an an willing buyer and a willing seller without taking into account the benefit Of any charterparty or other engagement concerning the relevant owned Ship). The mean of the twaluations shall constitute the value of the Frelevant owned ship. In the event that the valuations obtained in respec Of any owned ship differ by more than 15 per cent. a third valuation shall be obtained from one of the remaining Approved Brokers approved by the Lenders and the mean of all three valuations shall constitute the value of the relevant anned ship in such a case.
23.37.2 The value of the owned ships determined in accordance with the "provisions of this clause 23.37 shall be binding upon the parties until such time as any further such valuations shall be obtained. 109 \begin{tabular}{l} 
23.37.3 The Borrower undertakes to the Finance Parties to supply to the Finance \\
\hline Parties and to any Approved Brokers such information concerning each owned
\end{tabular} Sarties and to any Approved Brokers such information concernlng each owned the purpose of making any valuation.
23.37.4 All costs in connection with the Agent obtaining any valuation of each Owned Ship referred to in clause 23.37 shall be borne by the Borrower.
23.38- COMPLIANGE WITH ISM CODE

The Borrower shall procure that any relevant member of the Group shall Comply with and ensure that each owned ship complies with the requirements Of the ISM code, including-(but not limited to) the maintenance and renewal Of valid certificates pursuant thereto.

\subsection*{23.39 WITHPRAWAL OF DOC AND SMG}

The Borrower shall procure that any relevant member of the Group shall immediately inform the Agent if there is any threatened or actuat Withdrawal of such member's DOC or the SAC in respect of any of the owned Ships.

\subsection*{23.40 ISSUANGE OF DOC AND SAG}

The Borrower shall procure that any relevant member of the Group shall
=promptly inform the Agent upan the issue to any such member of a DOC and te = any of the owned ships of an SMC or the receipt by any such member of Inotification that its application for the same has been refused.

\section*{23. 41 GOMPLIANGE WITH ISPS COOE}

The Borrower shall procure that any relevant member of the Group shall
comply with and ensure that each owned ship complies with the requirements
Of the ISPS code including (but not limited to) the maintenance and renewal Of the ISSG for each such Ship pursuant to the ISPS Code and shall immediately inform the Agent if there is any actual or threatened Withdraw of the ISSC for any such Ship.

\section*{23. 42 RING FENGING}

\section*{The Borrower shall procure that:}
23.42.1 no Security Provider shall enter into, or permit to subsist, any
transaction or relationship with a non-Security Provider which is not at least as favourable in all respects to the relevant security provider as an arm's length transaction, nor shall such security Provider pay any management charge or similar inter company item to a non-security provider.

\subsection*{23.42.2 This clause 23.42 shatl not prohibit the execution and performance by} the Borrower or any other obligor of any Finance Document or Transaction Document to which it is party.

\subsection*{23.43-PURCHASE OPIION SUBSIOIARIES}
23.43.1 Subject to clause 23.43.5, the Borrower shall procure that no Purchase Option shall be exercised which is funded (directly or indirectly wholly Or partly) from a drawing from the Working Gapital Account without the "prior consent of the Agent.

\author{
23.43.2 The Borrower shall procure that no Financial Indebtedness shall be incurred by a Purchase option subsidiary (other than by the relevant Purchase Option Subsidiary incurring Financial Indebtedness under the Facilities in accordance with clause 23.43.1) unless:
}
(2) the Borrower and the relevant Purchase option subsidiary have (i)
23.43.3 The Borrower shall procure that a Purchase option subsidiary shall:i:
(-a) deliver the valuations referred to in clause 23.43 .2 (b) to the Agent not less than 30 days prior to the exercise of the relevant purchase Option;
(- \((\underline{b})\) at the date of acquisition of the relevant purchase option ship/-grant
=——a second ranking-guarantee and mortgage, in form and substance
satisfactory to the Agent, over such Purchase option ship and such
Other assets of the Purchase Qption Subsidiary as the Agent shall (require, in each case, in favour of the security Agent or, as the ase may be, the secured Parties;
(C) ensure that all its cashflow that is not (i) mandatorily required to =—— be used in meeting_payments of fees, interest and principal and other expenses in respect of the Permitted rinancial Indebtedness incurred expenses in respect of the permitted rinancial Indebtedness incurred maintenance of such Purchase Qption subsidiary as a going concern/ are maintenance of such purchase option subsidiary as a going concer loaned or distributed to the Borrower by payment to the Working. Capital Account (subject to subordination undertakings from such Purchase option Subsidiary satisfactory to the security Agent being. given prior to such loan or
(d) ensure that following the exercise of a purchase option by a purchase =- Option subsidiary, such Purchase Option subsidiary shall not own more than one shipi and
(- (e) use reasonable endeavours to ensure that any Third party Financier enters into a Third Party Intercreditor Agreement provided that a Third Party Intercreditor Agreement is agreed.

\subsection*{33.43.4 The Borrower shall procure that only a Purchase Option subsidiary shall} Own a Purchase Option Ship.
23.43.5 Nothing in this clause 23.43 shall be construed in such a way as to =prohibit (a) the Borrower from providing financing to the relevant Purchase Option subsidiary under the relevant Purchase option from-funds credited to the Working Capital Account or (b) the relevant Purchase option Subsidiary from incurring Permitted Financial Indebtedness in connection with the "-purchase of the relevant Purchase Option ship from any Third Party "—Pinancier.
23.43.6 The security Agent or, as the case my be the secured parties, undertakes each time clause 23.43.2 or clause 23.43.7 (Purchase Option subsidiaries) applies and Permitted Financial Indebtedness is incurred in relation thereto to enter into a Third Party Intercreditor Agreement on behalf of "the Lenders provided that a Third Party Intercreditor Agreement is agreed.
23.43.7 A Purchase Option Subsidiary which has incurred Permitted Financiat Indebtedness in relation to the purchase of a Purchase option ship mayrWith the consent of the Agent, refinance such Permitted Financiat Indebtedness provided that:
(- \({ }^{(\underline{)}) \text { the Borrower and the relevant Purchase Option Subsidiary have (i) }}\)
first given the Arranger the opportumity to make an offer of
refinancing of such Permitted Financial Indebtedness, (ii) the Arranger has made such an offer or declined to do so, and (iii) the Borrower (acting reasomably) has declined the offer of the Arranger:
(b) the second-ranking security granted pursuant to clause 23.43.3(b) is not affected by such refinance or is replaced by equivalent security to the satisfaction of the Agent; and
(c) to the extent that any refinancing of third party Permitted Financiat Indebtedness by a Purchase option subsidiary results in such Purchase Qption subsidiary being in pessescion of additional earnings or funds/Option subsidiary being in possession of additional earnings or funds/ the Borfower shall procure that such Purchase option subsidia ensure that such additional earning

\section*{111}

\subsection*{23.44 NEW SHARE ISSUE SUBSIDIARIES}
23.44.1 The Borrower shall procure that no Now share Issue Subsidiary shall incur Financial Indebtedness, unless:
(- \({ }^{(a)}\) such Financial Indebtedness is required to be incurred for a New Share Issue Subsidiary to acquire a Permitted NSIS Asset; and
(b) the rinancial Indebtedness required to be incurred for a New Share Issue Subsidiary to acquire the relevant Permitted NSIS Asset is not more than an amount equal to 80 per cent. of the value (as determined by the Agent) of such permitted NSIS Asset.

\footnotetext{
23.44.2 A New Share Issue Subsidiary which has incurrod Permitted Financiat
m.44.2 A New share insue subsidiar which ar incurred-permited rinanciat I- freely refinance such Permitted financial Indebtedness provided that the FIrancial Indebtedness which results from such refinancing complies with Cinancial Indebtedn
23.44.3 The Borrower undertakes to notify the Agent within 30 Business Days of I incorporating a New Share Issue subsidiary of the fact that it has
incorporated such New Share Issue Subsidiary and details of any proposed acquisitions such New Share Issue Subsidiary intends to make. The Borrower also undertakes to notify the Agent of any proposed acquisition of any P- Permitted NSIS Asset.
}

\subsection*{23.45 USE OF PROGEEDS}

The Borrower shall use the proceeds of Loans under the Facilities exclusively for the respective purposes specified in clause 3-(Purpose):-

\author{
23.46 LANDLORD AND OTHER CONSENTS
}
The Borrower shall (and shall procure that each security provider shall) at all times obtain and maintain all consents and other authorisations ( (whether of a landlord or otherwise) necessary for the creation and "- perfection of the security contemplated by the Transaction security = Documents.

\subsection*{23.47 EMPLOYMENT OF CHARTERED SHIPS}

The Borrower shall not (and shall procure that no member of the Group Shall) employ any Chartered Ships or permit any Chartered Ship's employment In any manner, trade or business which is forbidden by law or which is otherwise unlawful or illicit under the law of any relevant jurisdiction, Or in carrying illicit or prohibited goods and not to employ any Chartered Ship or permit its employment in carrying any contraband goods.

\subsection*{23.48 SHARING OF EARNINGS OF CHARTERED SHIPS}

The Borrower shall not (and shall procure that no other member of the Group Shall) without the prior written consent of the Agent (and then only Subject to such conditions as the Agent may impose) enter into any Iagreement or arrangement whereby the earnings with respect to a chartered Ship may be shared with any other person.

\subsection*{23.49-GHARTERS}

The Borrower shall not (and shall procure that no other member of the Group shally) commit a breach of any charter or conduct itself in such a way as to cause or potentially cause, whether through action or inaction, a breach of a Charter which would entitle the other party to the Charter to terminate Or otherwise determine the charter. 112

\subsection*{23.50 REPORTS}

\section*{The Borrower undertakes that:}
23.50.1 in the event that the Agent notifies the Borrower that the Agent is Rmable to make a claim and take legal proceedings against the provider of a Report but the Borrow is able to make a claim and take legal prococdings against the relevant Report provider, the Borrower shall take such action and make any such claim against the provider of the Report as the Agent may = direct; and
23.50 .2 subject to clause 23.50 .1 , it shall pursue any available claim and take legal proceedings against a provider of a Report unless the costs =associated with making such claim and taking such legal proceedings outweigh the benefit of such claim (if successful) in each case as determined by the Agent.

\subsection*{23.51 AGQUISITION AGREEMENF}
The Borrower shall pursue any available claim and take legal proceedings Waginst any party to the Acquisition Agreement unless the eosts associated With making such claim and taking such legal proceedings outweigh the Denefit of such claim (if successful), in each case as determined by the Agent.
23.52 CONDITIONS SUBSEQUENT
23.52.1 The Borfower shall procure that:
(- a) the deletion of each Existing Collateral Ship listed in Schedule 2 (The Ships) from the flag of the Hellenic Republic and the relevant Registry and registration of each such Existing collateral Ship under Z another Flag State through the relevant Registry shall take place Within 60 days of the first Utilisation Date; and
(————on the date of such registration of an Existing collateral ship listed (- (b) on the date of such registration of an Existing collateral ship In Schedule 2 (The Ships) under another Flag State through the documents and evidence specified in part I of schedule 3 (Conditions precedent) in respect of that Existing Collateral Ship in form and Precedent) in respect of that Existin

\subsection*{23.52.2 The Borrower shall.}
(a) not later than 31 March 2006, provide to the Agent its professional risk management procedures as required under section 404 of the Sarbanes 0xley Act; and

\section*{(b) provide confirmation to the Agent that all members of the Group are in} compliance with such procedures on the due date for compliance under section 404 of the sarbanes \(0 x\) ley Act.
23.52.3 The Borrower shall, within one month of the first Utilisation Date, supply to the Agent evidence (in form and substance satisfactory to the (Agent) that any unsatisfactory (as determined by the Agent) insurance -policies effected in relation to the Terminal have been terminated and that - appropriate insurance policies to replace such terminated policies have been placed in such terms, amounts and with such underwriters as the Agen -mav require and that the Borrower is in andian what obligat to procure that the Group has adequate insurance cover under the relevant - Trancart rolevant creup -int
23.52.4 The Borrower shall, as soon as possible, but in any event within 120 days of the ISE Navios Merger, advise the Agent of (a) the number of sharcholders in ISE who have filed a petition in the Delaware Court of Chancery demanding that the Chancery court determine the fair value of
23.52.5 In the event that, following the filing of any petition in the Delaware Court of Chancery referred to in clause 23.52.4, the finding of the
23.52.6 The Borrower shall, within 60 days of the first Utilisation Date and in consultation with the Agent, remedy (to the extent specified by the Agent) those Charters identified in the Charters and cons Report which the Agent notifies the Borrower as being unsatisfactory.
23.52 .7 The Borrower shall, within 10 days of the Utilisation Date of the

Facility relating to an Additional Collateral Ship, deliver to the Agent a copy of a certificate of financial responsibility for the relevant Additional Collateral Ship complying with the requirements of the United States oil Pollution Act 1990 together with evidence of approval thereof by the relevant regulatory authority.
23.52.8 The Borrower shall, within 30 days of the first Utilisation Date, ensure that (a) the Operating Accounts are closed and (b) new accounts (the "NEW AGCOUNTS") have been opened in the name of the relevant members of the Group with the Agent in Hamburg in substitution of the Operating Account (c) any balances then standing to the credit of an Operating Account shal —be transferred forthwith to the corresponding New Account of the relevant member of the Group/.(d) the New Accounts have become subject to security In favour of the security Agent or the other secured Parties in the sam mamer as the operating Accounts are subject to Security-pursuat to relevant Account Pledges, (e) the Finance Documents are amended in such manner as the Agent may require in its absolute discretion in connection With the matters referred to in this clause 23.52 .8 and ( \(f\) ) forthwith following a demand made by the Agent, it shall reimburse the Agent or any other finance party in connection with any costs and expenses (including legal fees and expenses) incurred by it, in connection with the matters referred to in this clause 23.52.8.

\subsection*{23.53 SECURITY VALUE MAINTENANGE}
(- a) If at any time the Security Value shall be less than the Security Requirement, the Agent may give notice to the Borrower requiring that such deficiency be remedied and then the Borrower shatl either:
( \({ }^{(i)}\) - prepay within a period of fourteen (14) days of the date of - receipt by the Borrower of the Agent's said notice, such part of the total amount of the Facility A Loan, the Facility \(C\) Loans and the Facility \(D\) Loans outstanding at such time, as will result in the security Requirement after such prepayment (taking into account any other repayment of the loans made between the date of the notice and the date of such prepayment) being equal to or higher than the security value; or
(ii) within fourteen (14) days of the date of receipt by the Borrower of the Agent's said notice, constitute to the satisfaction of the Agent (acting on the instructions of the Majority Lenders) such further security (in the form of security) for the Loans (and and amounts outstanding under any Hodge Agreements) as shall be acceptable to Agent (acting on the instructions of the Majority Lenders) having a value for security purposes (as determined by the Majority Lenders in their absolute discretion) at the date uph which such further security shatl be constituted which, when added to the Security value, shall not be less than the Security Requirement as at such date.
(b) Each of the Collateral Ships shall, for the purposes of this clause 23.53 , be valued as and when the Agent shall require and, as to the manner of valuation, in accordance with the provisions of clause 23.37(valuation of owned ships). The value of any of the collaterat Ships determined in accordance with the provisions of clause 23.37 (Valuation of owned Ships) shall be binding upon the parties until such time as any further such valuation shall be obtained for such collateral ship pursuant to this clause \(23.53(\underline{b})\) or clause 23.37(valuation of Owned Ships)
(c) All costs in connection with the Agent obtaining any valuation of any of the collateral ships referred to in this clause 23.53 and in Schedule 3, and any valuation either of any additional security for = the purposes of ascertaining the security value at any time or the purposes of ascertaining the security Value at any time or security pursuant to clause 23.53 (al)(ii) shall be borne by the security by the Majority Lenders in their discretion.
(e) In connection with any additional security provided in accordance with
this clause 23.53, the Agent shall be entitled to receive such

\section*{24 EVENTS OF DEFAULT}

\subsection*{24.1.2 payment is made within two Business Days of its due date.}

\subsection*{24.2 FINANGIAL COVENANTS AND OTHER OBLIGATIONS}

Borrower does not comply with the provisions of clause 21.1 (Financial
statements) 21.2 (Provision and contents of compliance Certificate), 21.3
=(Requirements as to financial statements), 21.4 (Budget). 21.8
=( Notification of default and certain events relating to chartered Ships)
23.6 (Merger) 23.7 (Change of business) 23.8 (Acquisitions), 23.9 (Join
ventures) 23.10 (Holding Companies), 23.15 (Negative pledge), 23.16
(Disposals) 123.17 (Arm's Length basis) 23.18 (Loans or credit) 23.19 (Ne
guarantees or indemnities) , 23.20 (Dividends and share redemption) 23.21
=(Financial Indebtedness), 23.22 (Share capital), 23.50 (Conditions
(subsequent), 23.42 (Ring fencing.)/23.43 (Purchase Qption subsidiaries) of
23.44 (New share Issue subsidiaries):

\subsection*{24.3 OTHER OBLIGATIONS}
24.3.1 An Obligor does not comply with any provision of the Finance Documents (other than those referred to in clause 24.1 (Non-payment) and clause 24.2 =(Financial covenants and other obligations)).
24.3.2 No Event of Default under clause 24.3.1 will occur if the failure to comply is capable of remedy and is remedied within ten Business Days of the Agent giving notice to the Borrower or relevant obligor or the Borrower or an obligor becoming aware of the failure to comply.

\subsection*{24.4 MISREPRESENTATION}

\begin{abstract}
Any representation or statement made or deemed to be made by an obligor in the Finance Documents or any other document delivered by or on behalf of
\end{abstract} any obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

\section*{24.5-GROSS DEFAULI}
24.5.1 Any Financial Indebtedness of any member of the Group is not paid when C due nor within any originally applicable grace period.
24.5.2 Any Financial Indebtedness of any member of the Group is declared to be Or otherwise becomes due and payable prior to its specified maturity as u = result of an event of default (however described).
24.5.3 Any commitment for any Financial Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a = result of an event of default (however deseribed).
24.5.4 The counterparty to a Treasury Transaction entered into by a member of the Group becomes entitled to terminate that Ireasury Transaction arly as a result of an event of default (however described):
24.5.5 Any creditor of any member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to Its specified maturity as a result of an event of default (however (described).
24.5 .6 No Event of Default will occur under this clause 24.5 if (i) the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within clauses 24.5.1 to 24.5.5 is less than US\$2, \(0 \otimes \theta, 000\) (or its equivalent in any other currency or currencies) of ( (ii) the Agent is, in its sole discretion, satisfied that the relevant event referred to in this clause 24.5 will not affect or prejudice in any Why the Borrower's or any other obligor's ability to duly perform its =obligations under the Transaction Documents.

\subsection*{24.6 INSOLVENCY}
24.6.1 A member of the Group is unable or admits inability to pay its debts as they fall due or is deemed to or declared to be unable to pay its debts under applicable law, suspends or threatens to suspend making_payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.

\author{
24.6.2 The value of the consolidated assets of the Group is less than its \\ consolidated liabilities (taking into account contingent and prospective liabilities but not including liabilities under the Intra-Group Loan Agreement)
}

\section*{\(\frac{\text { 24.6.3 A moratorium is declared in respect of any indebtedness of any member of }}{\text { the Group. If a moratorium occurs, the ending of the moratorium will not }}\) the Group. If a moratorium occurs, the ending of the moratorium will not} remedy any Event of Default caused by that moratorium.

\subsection*{24.7 INSOLVENCY PROCEEDINGS}
24.7 .1 Any corporate action, legal procedings or other procedure or step is taken in relation to:
(-2) the suspension of payments, a moratorium of any indebtedness/ "winding up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any member of the Group other than a solvent liquidation or reorganisation
(b) a composition, compromise, assignment or arrangement with any creditor of any member of the Group;
(-) the appointment of a liquidator (other than in respet of a solvent = liquidation of a member of the Group which is not an obligor)
receiver, administrative receiver, administrator, compulsory manager of other similar officer in respect of any member of the Group or any of its assets (including the directors of any Group member requesting a person to appoint any such officer in relation to it or any of its
assets)ior

\section*{(d) enforcement of any security over any assets of any member of the}

\section*{Or any analogous procedure or step is taken in any jurisdiction.}

\subsection*{24.7.2 Clause 24.7.1 shall not apply to:}
(a) any winding up-petition which the Borrower can demonstrate, by providing opinion of leading Counsel to that effect, to the reasomable satisfaction of the Agent, is frivolous or vexatious and such winding up petition is discharged, stayed or dismissed within ten days of commencement or, if carlier, the date on which it is advertised; of
\[
\begin{aligned}
& \overline{\overline{\text { (b) }} \text { any step or procedure contemplated by paragraph (b) of the definition }} \text { of permitted Transaction. }
\end{aligned}
\]

\subsection*{24.8 CREDITORS' PROCESS}
24.8.1 Any expropriation, attachment, sequestration, forfeiture, distress of execution or any analogous process in any jurisdiction affects any asset or assets of a member of the Group having an aggregate value of US \(\$ 2,000,000\) and is not discharged within ten days.
24.8.2 Any judgment or order for an amount in excess of US\$2,000,000 is made against any member of the Group and is not stayed or complied with within - ten days.

\subsection*{24.9 UNLAWFULNESS AND INVALIDITY}
24.9.1 It is or bomes unlawful for an obligor to perform any of its
obligations under the Finance Documents or any Transaction Security created
Or expressed to be created or evidenced by the Transaction security
Documents ceases to be effective or any subordination created under any Finance Document is or becomes unlawful.

> \begin{tabular}{l}  24.9.2 Any obligation or obligations of any obligor under any Finance Documents \\ are not (subject to the Legal Reservations) or cease to be legal, valid) \\ \hline \hline binding or enforceable and the cescation individually or cumulatively \\ \hline \hline materially and adversely affects the interests of the Lenders under the \\ Finance Documents. \\ 24.9.3 Any rinance Document ceases to be in full force and effect or any \\ Transaction Security or any subordination created under the finance \\ \hline \hline Documents ceases to be legal, valid, binding, enforceable or effective or \\ Is alleged by a party to it (other than arinance Party) to be ineffective. \end{tabular}

\subsection*{24.10 CESSATION OF BUSINESS}

\title{
Any member of the Group suspends or ceases to carry on or threatens to
} = suspend or cease to carry on) all or a material part of its business except as a result of a disposal which is a Permitted Disposal or a permitted Tramsaction.

\author{
24.11 CHANGE OF OWNERSHIP
}

An obligor (other than the Borrower) ceases to be a wholly owned subsidiary Of the Borrower except as a result of a disposal which is a Permitted Disposal or a Permitted Transaction

\subsection*{24.12 AMENDING CONSTITUTIONAL DOCUMENTS}
24.12.1 The Borrower or a Security Provider amends, varies, supplements, supersedes, or terminates its Constitutional Documents without the三-prior written consent of the Agent (which consent shall not be unreasomably (withheld):
24.12.2 Any other member of the Group amends, varies, supplements, supersedes/ Waves or terminaes its constitutional buments without the prior written consent of the Agent where the Agent reasonably believes such action has of is reasonably likely to have a Material Adverse Effect.

\subsection*{24.13 CHANGE OF MANAGEMENT}
24.13.1 Mrs Angeliki Frangou cases (for whatever reason) to be actively Involved in the business, trade and offices of the Group or ceases (for Whatever reason) to be the Chief Executive Officer of the Borrower.
24.13.2 Any twe members of the Key Personnel cease (for whatever reason) to be both an officer and an employee of the Group or to devote substantially all Of their time to the management of the Group and no adequate replacement is found and anmounced within a period of 60 days.

\subsection*{24.14 AUOIT QUALIFICATION DIVIDENDS}
24.14.1 The Auditors of the Group qualify the audited annual consolidated financial statements of the Borrower.
24.14.2 The Borrower advises the Agent pursuant to clause 8.1.8(a)-(Total Loss/sale) of the amount of dividend it intends to declare in respect of a Financial Quarter and the aggregate amount of dividend actually declared or distributed pursuant to such Financial Quarter is less than such amount.
24.14.3 The Borrower advises the Agent pursuant to clause 8.1.8(b) (Totat Loss/Sale) of a Relevant Amount in respect of a Financial Quarter and the aggregate amount of dividend actually declared or distributed by the Borrower in respect of such Financial Quarter is less than such Relevant Amount.

\subsection*{24.15 EXPROPRIATIOA}

The authority or ability of any member of the Group to conduct its business is limited or wholly or substantially curtailed by any seizurer
=exprepriation, nationalisation, intervention, restriction or other action by or on behalf of any governmental, regulatory or other authority or other person in relation to any member of the Group or any of its assets.

\subsection*{24.16-REPUOIATION ANO RESGISSION OF AGREEMENTS}
24.16.1 An obligor (or any other relevant party) rescinds or purports to rescind Or repudiates or purports to repudiate a Finance Document or any of the Transaction security or evidences an intention to rescind or repudiate a Finance Document or any Transaction Security.
instruments in whole or in part where to do so has or is, in the reasomable opinion of the Agent, likely to have a material adverse effect on the Interests of the Lenders under the Finance Documents.

\subsection*{24.17 LITIGATIOA}


Any litigation, alternative dispute resolution, arbitration,
administrative, governmental, regulatory or other investigations/,
- procedings or disputes are commenced or threatened in relation to the

Transaction Documents or the transactions contemplated in the Tramsaction Documents or against any member of the Group or its assets which has or is reasomably likely to have a Material Adverse Effect.

\subsection*{24.18 ENVIRONMENTAL MATTERS}
24.18.1 Any member of the Group fails to comply with any Envirommental Law or any Envirommental Permit or an Environmental Glaim is made against any member of the Group and as a result a Material Adverse Effect occurs or is reasonably likely to occur in the opinion of the Lenders.
24.18.2 As a result of any Environmental Law any of the claims and rights of any Finance Party in respect of any Finance Document becomes subordinated to an extent considered material by the Agent to an Environmental Claim.
24.18.3 Any Finance Party becomes subject to any actual or potential liability or obligation in relation to any property owned, occupied or used by any member of the Group.
\(\qquad\)
24.19 GHANGE OF CONTROL

Mrs Angeliki Frangou ceases to hold a minimum of 20 per cent. Of the issued share capital of the Borrower.

\author{
24.20 MATERIAL ADVERSE CHANGE
}

Any event or circumstance occurs which the Agent reasonably believes has or =is reasomably likely to have a Material Adverse Effect.

\subsection*{24.21 ARRESI}

Any Ship is arrested, confiscated, seized, taken in execution, impounded, lien or other claim or otherwise taken from the possession of the owner such Ship and the owner of such ship shall fail to procure the release of Such ship within aperiod of ten Business Days thereafter.
24.22 ADOITIONAL COLLATERAL SHIPS AND REGISTRATION
24.22.1 (a) An Additional Collateral ship is not delivered to the relevant Additional collateral Owner pursuant to the relevant Purchase option MOA and/or MOA or otherwise and/or (b) the Facility relevant to such Additiona Collateral ship has not been utilised and/or ( \(C\) ) the conditions procedent regarding such Facility and such Additional collateral ship required under clause 4.1.2 (Initial Conditions Precedent) have not been satisfied by the


\footnotetext{
24.22.2 The registration of any collateral ship under the laws and flag of the relevant flag State is cancelled or terminated without the prior written consent of the Lenders or if such registration of such collateral Ship is
} Inot renew at least 45 days prior to the expiry of such registration.

\subsection*{24.23 UNREST}

The rlag state of any Gollateral ship becomes involved in hostilities of Civil war or there is a seizure of power in such flag state by unconstitutional means and such event could, in the opinion of the Agent reasonably be expected to have a Material Adverse Effect on the security constituted by any of the Transaction security Documents and the Borrower fails to (a) procure the registration of the relevant Collateral Ship by the relevant collateral owner under the flag of another state which is =acceptable to the Agent in its sole discretion, (b) procure the execution In favour of the security Agent or as the case may be, the Finance Partio and, where necessary, the registration of a new mortgage over the relevant and where necessary, the registration, of a new mortgage over the relevan - Shin and a manager's undertaking from the Manager of the relevant collaterat Ship in each case in such form as the Agent shall in its absolute - diseretion require and always of the same priority as the previous such = discretion require and atway of the same priority as the previous such ㅍwith such documents and evidence ar the Agent authorised representative -reavire in arch case within ten Business avs - require, in each case within ten Business Days following the written request of the Agent to the Borrower to do so.

\subsection*{24.24 P\&I AND THIRD PARTY LIABILITY INSURANCES}

Either a collateral owner or the Manager or any other person fails or omits to comply with any requirements of the protection and indemnity association Or other insurer with which such collateral owner is entered for insurance Or insured against protection and indemnity risks (including oil pollution risks) to the effect that any cover (including, without limitation, any
cover in respect of liability for Environmental Claims arising in
=jurisdictions where such collateral Ship operates or trades) is or may be liable to cancellation, qualification of exclusion at any time.

\subsection*{24.25 MANAGER}

Any Collateral ship coases to be technically managed and commercially I- managed by the Manager in accordance with the relevant Management Agreement.

\subsection*{24.26 LEASE}

\author{
24.28 BREACH OF MINISTERIAL DECISION
}

If the flag state in relation to a collateral ship is the Hellenic Republic, the relevant Collateral Owner commits any breach of or cancels the Ministerial Decision for such Ship (as defined in the Mortgage relevant to such Ship) or varies the Ministerial Decision for such Ship without the - previous written consent of the Agent (which consent the Agent shall ho (unreasonably withhold).

\author{
24.20-AGCELERATION
}

On and at any time after the occurrence of an Event of Default which is continuing the Agent may, and shall if so directed by the Majority Lenders, Cby motice to the Borrower:
24.29 .1 cancel the Total Commitments at which time they shall immediately be cancelled;
24.29.2 declare that all or part of the Loans, together with acerued interest/: and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable;
24.29 .3 declare that all or part of the Loans be payable on demand, at which time they shall immediately become payable on demand by the Agent;
24.29.4 exercise or direct the Security Agent or, as the case may be, the secured Parties, to exercise any or all of its rights, remedies, powers or diseretions under the Finance Documents; and/or
24.29 .5 declare that any Hedge Agreement between any member of the Group and a Hedge counterparty shall forthwith be terminated and such member of the Group and such Hedge Counterparty shall from such time treat such relevant Hedge Agreement as terminated by reason of cross default.

\section*{SEGTION 9: CHANGES TO THE PARTIES}

25 CHANGES TO THE LENDERS

\subsection*{25.1 ASSIGAMENTS AND TRANSFERS BY THE LENHERS}

Subject to this clause 25, a Lender (the "EXISTING LENDER") may:

\subsection*{25.1.1 assign any of its rights; of}
25.1.2 subject to clause 25.2 .5 transfer by novation any of its rights and obligations,
under any Finance Document to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, , purchasing or investing in loans, securities of other financial assets (the "NEW LENDER").

\subsection*{25.2 COADITIONS OF ASSIGNMENT OR TRANSFER}
25.2.1 An Existing Lender must consult with the Borrower for no more than ten days before it may make an assignment or transfer in accordance with clause 25.1 (Assigmments and transfers by the Lenders) unless the assignment or "transfer is:

工(a) part of primary syndication:
(b) to another Lender or an Affiliate of a Lender;
(C) to a fund or other investment vehicle within the same investor group as the fund or other investment vehicle which is the Existing Lender; \(\square O T\)
(-(d) made at a time when an Event of Default has occurred and is continuing.
25.2.2 An assigmment will only be effective on:
(a) receipt by the Agent of written confirmation from the New Lender (in
form and substance satisfactory to the Agent) that the New Lender will form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other finance parties and the of secured parties as it would have been under if it was an origina Lender; and
(—— (b) the performance by the Agent of all "know your customer" or other checks relating to any person that it is required to carfy out in relation to such assignment to a New Lender, the completion of which the Agent shall promptly notify to the Existing Lender and the Now Lemder.
25.2.3 A transfer will only be effective if the Agent has confirmed that a transfer is appropriate pursuant to clause 25.2 .5 and the procedure set out in clause 25.5 (procedure for transfer) is complied with and:
(a) transfers of each of the Facilities may be made separately;
(D) Where an Existing Lender transfers part of its rights and obligations in respect of a Facility pursuant to clause 25.5 (Procedure for transfer), that Existing Lender must transfer equal fractions of its Commitment and participation in the Loans (if any) under the relevant — Facility
(C) If at the time when a transfer takes effect more than one Loan is outstanding under a Facility, the transfer of an Existing Lender's participation in the Loans (if any) under the relevant facility shall take effect in respect of the same fraction of each such Loan; and
(d) no transfer shall be effected if as a result of such transfef (together with any other transfers to take place at or about the same) as at the date such transfer (s) take effect:

\subsection*{25.2.4 If:}
(a) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and

\section*{(b) as a result of circumstances existing at the date the assignment,} transfer or change occurs, an obligor would be obliged to make a payment to the New Lender or Lender acting through its new Facility Office under clause 14 (Tax Gross Up and Indemnities) or clause 15 \(\Longrightarrow\) (Increased costs),

\section*{then the New Lender or Lender acting through its new Facility Office is} Only entitled to receive payment under those clauses to the same extent as the Existing Lender or lender acting through its previous racility Office would have been if the acsionment trancfor or change had an oceurred unlesc the assionment transfer or change is made by the lendor with Borrower's agreement to mitigate anv circumstances giving rise to the Tax Parment or increased cost Payment of increased cost, or a right to be prepaid and/or cancelled by
25.2.5 An Existing Lender shall not transfer any of its rights and obligations under this Agreement pursuant to this clause 25.2 (Conditions of assignment Or transfer) unless the Agent has confirmed that such proposed transfer is "appropriate. The Agent shall (a) act reasomably in making such
determination, but shall have, among other things, regard to the
- preservation of rights of the Finance Parties under the rinance Documents
and (b) respond as soon as is reasonably practicable (although the Agent
shall not be required to respond while it is seeking legal advice as to
Whether a transfer is appropriate). In the event the Agent specifies that a transfer is not appropruae the relevan Existing Lender shall be entitled to assign its rights in accordance with clause 25.2.2.
25.2.6 If any Lender assigns any of its rights under this Agreement in accordance with this clause 25.2 (Conditions of assignment or transfer)/ The Borrour undertakes to procure that immediatery on being requested to do so by the Agent, that each relevant member of the Group shall enter inte such documents or instruments as shall be necessary or desirable to transfer to a New Lender all or the relevant part of the Existing Lender's =- interest in the Transaction security Documents.

\subsection*{25.3 ASSIGNMENT OR TRANSFER FEE}

Unless the Agent otherwise agrees and excluding an assignment or transfer Unles the Agent otherwise agrees and excluding an assignment or transfer Of the Facilities, the New Lender shall, on the date upon which an =assignment or transfer takes effect, pay to the Agent (for its awn account) a fee of US \(\$ 5,000\)

\subsection*{25.4 LIMITATION OF RESPONSIBILITY OF EXISTING LENOERS}
25.4.1 Unless expressly agreed to the contrary, an Existing Lender makes no = representation or warranty and assumes no responsibility to a New Lender for:
(a) the legality, validity, effectiveness, adequacy or enforceability of the Transaction Documents, the Transaction Security or any other documents;
(b) the financial condition of any obligor; the Group of its obligations under the Transaction Documents or ant =other documents; or
(d) the accuracy of any statements (whether written or oral) made in or in connection with any Transaction Document or any other document/
and any representations or warranties implied by law are excluded.

\subsection*{25.4.2 Each Now Lender confirms to the Existing Lender, the other Finance Parties and the secured parties that it:}
(-2) has made (and shall continue to make) its own independent
=- investigation and assessment of the financial condition and affairs of
=ach obligor and its related entities in connection with its
"participation in this Agreement and has not relied exclusively on any
information provided to it by the Existing Lender or any other Finance =San with any Transaction Document or the Transaction
(b) will continue to make its own independent appraisal of the Creditworthiness of each obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

\subsection*{25.4.3 Nothing in any Finance Document obliges an Existing Lender to:}
(2a) acept a re transfer from a New Lender of any of the rights and obligations assigned or tramsferred under this clause 25; of
(b) support any losses directly or indirectly incurred by the New Lender by reason of the non performance by any obligor of its obligations by reason of the non performance by any oblige

\subsection*{25.5 PROCEDURE FOR TRANSFER}
25.5.1 subject to the conditions set out in clause 25.2 (Gonditions of
after receipt by it of a duly completed Transfer Certificate appearing on

\subsection*{25.6 COPY OF TRANSFER CERTIFICATE TO BORROWER}
\begin{tabular}{l} 
The Agent shall, as son as reasonably practicable after it has executed a \\
\hline \hline Transfer Certificate, send to the Borrorer a copy of that Transfer \\
\hline Certificate.
\end{tabular} Certificate.

\subsection*{25.7 DISCLOSURE OF INFORMATION}
25.7.1 Any Lender may disclose to any of its Affiliates and any other person:
(——) to (or through) whom that Lender assigns or transfers (or may =- potentially assign or transfer) all or any of its rights and obligations under the Finance Documents;
(b) with (or through) whom that Lender enters into (or may potentially "(b) enter into) any sub-participation in relation to, or any other = transaction under which-payments are to be made by reference to, the Finance Documents or any obligorior or
(c) to whom, and to the extent that, information is required to be disclosed by any applicable law or regulation; or
((d) for whose benefit that Lender charges, assigns or otherwise creates a Security (or may do so) pursuant to clause 25.9 (Security over
25.7.2 any Finance Party may disclose to a rating agency or its professional advisers, or (with the consent of the Borrower) any other person/,
any information about any obligor, the Group and the Finance Documents as that Lender or other Finance Party shall consider appropriate if in relation to paragraphs (a) and (b) of clause 25.7 .1 the person to whom the information is to be given has entered into a confidentiality undertaking.

Any Confidentiality Undertaking signed by a person pursuant to this clause 25.7 shall supersede any prior confidentiality undertaking signed by such =-person for the benefit of any member of the Group.

\subsection*{25.8 HEDGE COUNTERPARTIES} 25.8 .1 Any Lender or Affiliate of a Lender which becomes a Hedge Counterparty
shall accede to this Agreement as a Hedge Counterparty by delivery to the = Security Agent of a duly completed Hedge Counterparty Accession Letter.
25.8 .2 Where this Agreement or any other Finance Document imposes an obligation on a Hedge counterparty and the relevant Hedge counterparty is an Affiliate On a Hedge Counterparty and the relevant Hedge Counterparty is an Affiliate ensure that the obligation is performed byits Affiliate.

In addition to the other rights provided to Lenders under this clause 25/ In addition to the other rights provided to Lenders under this clause Oach Lender may without consulting with or obtaining consent from any ( (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

\subsection*{25.9.1 any charge, assignment or other security to secure obligations to a federal reserve or central bank; and}
25.9 .2 in the case of any Lender which is a fund, any charge, assignment or other security granted to any holders (or trustec or representatives of holders) of obligations own or securities issuld, by that Lender as (security for those obligations or securities,

Oxcept that no such charge, assignment or security shatl:
(a) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or security for the Lender as a party to any of the finance =-Documents:
(b) require any-payments to be made by an obligor or grant to any-person any more extensive rights than those required to be made or granted to the relevant Lender under the Finance Documents.

\subsection*{25.10-SUB-PARTICIPATIO}
A Lender may sub-participate all or any part of its rights and/or obligations under the Finance Documents without the consent of, or notice Tor, the Borrower.

\section*{26 MATTERS CONCERNING THE OBLIGORS}

\author{
26.1 ASSIGAMENT AND TRANSFERS BY OBLIGORS
}
The Borrower shall not and shall procure that no obligor or any other member of the Group-may assign any of its rights or transfer any of its =rights or obligations under the rinance Documents.

\subsection*{26.2 ADDITIONAL SECURITY PROVIDERS}
26.2.1 subject to compliance with the provisions of clauses 21.9.2 and 21.9 .3 ("Know your customer" checks) the Borrower may request that any of its Subsidiaries which is not a security provider or which was a Dorman Subsidiary becomes a security Provider.
\[
\begin{aligned}
& \text { 26.2.2 Upon acceptance by the Security Agent of the Borrower's request referred }
\end{aligned}
\]

> "the Group which is not a security Provider or which was a Dormant Subsidiary shall, as soon as possible after becoming a member of the Group (Or ceasing to be a Dormant Subsidiary), become an Additional Security =- Provider and grant such guarantees and security as the Agent may require.
> 26.2.3 A member of the Group shall become an Additional security provider - pursuant to this clause 26 if the Agent has received all of the documents and other evidence listed in Part III of schedule 3-(Gonditions Precedent) in relation to that Additional Security Provider, each in form and substance satisfactory to the Agent.
> 26.2.4 The Agent shall notify the Borrower and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it) all the documents and other evidence listed in Part III of schedule 3 \(=\) (Conditions procedent).

\subsection*{26.3 RESIGNATION OF A SECURITY PROVIDER}
26.3 .1 The Borrower may request that a security Provider (other than the Borrower) ceases to be a security Provider by delivering to the Agent a Resignation Letter if:
(a) that security provider is being disposed of to a person which is not a (a) that security provider is being disposed of to a person which is \(n\) member of the Group where that disposal is permitted under clause 23.16 (Disposals) or made with the approval of the Agent (a "THIRO
(b) all the Lenders have consented to the resignation of that security Provider.
26.3.2 The Agent shall accept a Resignation Letter and notify the Borrower and the Lenders of its acceptance if:
(2) the Borrower has confirmed that no Default is continuing or would result from the acceptance of the Resignation Letter:
=(b) no payment is due from the security Provider under any Transaction Security Document;

工(c) the Borrown has confirmed that it shall ensure that the Disposal Proceeds will be applied in accordance with clause 8.3 (Application of
26.3 .3 The resigmation of that security Provider shall not be effective until the date of the relovant Third Partv Dieposal shall cease to be a security Provider and shall have no further rights or obligations under the finance Documents as a security Provider.
26.4 RESIGNATION AND RELEASE OF SECURITY ON DISPOSAL

If a security provider is or is proposed to be the subject of a Third Party Disposal then:
26.4.1 where the Security Provider created Transaction Security over any of its
assets or business in favour of the security Agent or, as the case may be,
the Finance parties, or Transaction Security in favour of the security
Agent or, as the case may be, the Finance Parties was created over the
shares (or equivalent) of the security Provider, the security Agent or as
the case may be, the Finance parties may, at the cost and request of the
Borrower, release those assets, business or shares (or equivalent) and
issue certificates of non-crystallisation;

\title{
26.4.3 if the disposal of the Security Provider is not made, the Resignation
} Letter of the security Provider and the related release of Transaction Security referred to in clause 26.4.1 shall have no effect and the obligations of the Security Provider and the Transaction Security created or intended to be created by or over the security Provider shall continue in full force and effect.

\subsection*{26.5 OBLIGATIONS UNCONDITIONAL}
26.5.1 The obligations of each obligor under this Agreement and the other Finance Documents to which it is a party are unconditional and irrevocable (subject to the express provisions of this Agreement or any other Finance Document) and shall not be in any way affected or discharged by reason of any matter affecting or occurring in connection with the Transaction Documents.
26.5.2 The Borrower acknowledges that any authorisation given under this Agrement or any other Finance Document by a Finance Party in relation to the Transaction Documents shall not constitute any representation of Warranty by such (or any) Finance party as to the adequacy or effectiveness of such documents, the purchase consideration payable in relation to the Acquisition, the commercial advisability of any obligor entering into the arrangements contemplated by the Transaction Documents or otherwise.

\subsection*{26.6 OBLIGATIONS SEVERAL}

Without prejudice to the express provisions of any Transaction security Document providing that the obligations of certain obligors are joint and several, the obligations of each obligor under this Agreement and the other Finance Documents to which it is party are several. The failure of any Obliger to perform such obligations shall not release any other obliger from its obligations under this Agreement or any other finance Document. 127

\section*{SEGTION 10: THE PINANGE PARTIES}

27 ROLE OF THE AGENI, THE ARRANGER AND OTHERS
27.1 APPOINTMENT OF THE AGENF
27.1.1 Each of the Arranger and the Lenders appoints the Agent to act as its lagent under and in connection with the Finance Documents.
27.1.2 Each of the Arranger and the Lenders authorises the Agent to exercise the rights, powers, authorities and discretions specifically given to the Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

\subsection*{27.2 DUTIES OF THE AGENT}
27.2.1 The Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that party by any other party.
27.2.2 Except where a Finance Document specifically provides otherwise, the
Agent is not obliged to review or check the adequacy, accuracy of

Agent is not obliged to review or check the adequacy, accuracy of
completeness of any document it forwards to another Party.
27.2.3 If the Agent receives notice from a Party referring to this Agreement describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other finance parties.
27.2.4 If the Agent is aware of the non payment of any principal, interest, commitment fee or other fee payable to a Finance Party- (other than the Agent, the Arranger or the security Agent) under this Agreement it shall C promptly notify the other Finance parties.
27.2.5 The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.
27.3 ROLE OF THE ARRANGER

Except as specifically provided in the Finance Documents, the Arranger has no obligations of any kind to any other party under or in connection with any Finance Document or the Acquisition.

\subsection*{27.4 NO FIOUGIARY DUTIES}
27.4.1 Nothing in this Agreement constitutes the Agent or the Arranger as a trustee or fiduciary of any other person.
27.4.2 None of the Agent, the Security Agent or the Arranger shall be bound to =acount to any Lender for any sum or the profit clement of any sum received by it for its own account.

\subsection*{27.5 BUSINESS WITH THE GROUP}

The Agent, the Security Agent and the Arranger may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

\section*{27.6-RIGHTS AND DISGRETION}
27.6.1 The Agent may rely on:
(a) any representation, notice or document believed by it to be genuine, correct and appropriately authorised; and
(2) no Default has occurred (unless it has actual knowledge of a Default "-12) arising under clause 24.1 (Non payment)-);
(-b) any right, power, authority or discretion vested in any party or the Majority Lenders' has not been exercised; and
(C) any notice or request made by the Borrower (other than a Utilisation Request or selection Notice) is made on behalf of and with the consent and knowledge of all the obligors.
27.6.3 The Agent may engage, pay for and rely on the advice or services of any lawyers, acountants/ surveyprs or other experts.
27.6.4 The Agent may act in relation to the Finance Documents through its personnel and agents.
27.6.5 The Agent may disclose to any other party any information it reasomably believes it has received as agent under this Agreement.
27.6.6 Notwithstanding any other provision of any Finance Document to the contrary, neither of the Agent nor the Arranger is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.
27.7 MAJORITY LENDERS' INSTRUCTIONS
27.7.1 Unless a contrary indication appears in a Finance Document, the Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent (including giving instructions to the security Agent) in
=accordance with any instructions given to it by the Majority Lenders (or, If so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any (action) in accordance with an instruction of the Majority Lenders.
27.7.2 Unless a contrary indication appears in a Finance Document, any
instructions given by the Majority Lenders to the Agent (in relation to any right, pown, authority or discretion vested in it as Agent) will be binding on all the Finance Parties other than the Security Agent.
27.7.3 The Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) until it has received such security as it may require for any cost, loss or liability (together with any associated VAI) Which it may incur in complying with the instructions.
27.7.4 In the absence of, or while awaiting, instructions from the Majority Lenders, (or, if appropriate, the Lenders) the Agent may act (or refrain from taking action) as it considers to be in the best interest of the Finance Parties.
27.7.5 The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration procedings
relating to any Finance Document. This clause 27.7 .5 shall not apply to any legal or arbitration proceeding relating to the perfection, preservation or三-protection of rights under the Transaction security Documents of =- enforcement of the Transaction security or Transaction security Documents.
27.8 RESPONSIBILITY FOR DOCUMENTATION
Neither the Agent nor the Arranger:
27.8 .1 is responsible for the adequacy, accuracy and/or completenes of any = information (whether oral or written) supplied by the Agent, the Arranger/ an Obligor or any other person given in or in
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\section*{connection with any Finance Document or the Information Memorandum or the} Reports or the transactions contemplated in the Finance Documents;
27.8 .2 is responsible for the legality, validity, effectiveness/ adequacy or IConforcability of any Finance Document or the Transaction security or Transaction Document or any other agreement, arrangement or document ㅍ. Finance Document or the Transaction Security or Iransaction Document;
27.8 .3 is responsible to ascertain whether all deeds and documents which should (have been deposited with it (or the security Agent) under or pursuant to =any of the Iransaction security Documents have been so deposited;
27.8 .4 is responsible to investigate or make any enguiry into the title of any Security Provider to any of the securityi-
27.8 .5 is responsible for the failure to register any of the Transaction Security Documents with the Registry or any other public office;
27.8 .6 is responsible for the failure to register any of the Transaction Security Documents in accordance with the provisions of the documents of title of any security Provider to any of the security;
27.8 .7 is responsible for the failure to effect or procure the registration of any floating charge created by any of the Transaction Security Documents by (registering under the Land Registration Act 2002 any notice or restriction =pursuant to the provisions of the Land Registration Act 2002 against ant land for the time being forming part of the securityi-27.8 .8 is responsible for the failure to take or require the Borrower or anySecurity Documents offective or to secure the creation of any ancillarySecurity Documents effective or to secure the creation of any ancillary
27.8.9 is responsible (save as otherwise provided in this clause 27) for takingor omitting to take any other action under or in relation to the

\subsection*{27.9 EXCLUSION OF LIABILITY} O- have against the Agent or in respect of any act or omission of any kind bat that officer emplovee or agent in relation to any Finance Document or any Iransaction Document and any officer, employee or agent of the Agent may rely on this clause subject to clause 1.3 (Third party rights) and the "provisions of the Third Parties Act.
27.9.3 The Agent will not be liable for any delay (or any related consequences). in crediting an account with an amount required under the finance Documents to be paid by the Agent if the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating. ב-procedures of any recognised clearing or settlement system used by the IAgent for that purpose.
27.9.4 Nothing in this Agreement shall oblige the Agent or the Arranger to carry out any "know your customer" or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Agent and the Arranger that it is solely responsible for any such checks it is required to carry out and that it may not reyy on any statement in relation to surh chocks Imade by the Agent or the Arranger.

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\section*{27. 10 LENDERS' INDEMAITY TO THE AGENF}
27.10.1 Each Lender shall (in proportion to its share of the Total Commitments Or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemmify the Agent, within three Business Days of demand, against any cost, loss or liability incurred by the Agent (otherwise than by reason of the Agent's - gross negligence or wilful misconduct) in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by an obligor pursuant to a Finance Document).

\subsection*{27.10.2 The Borrow shall counter indemnify the Lenders wainst all payments} made by them under this clause 27.10 .

\subsection*{27.11 RESIGNATION OF THE AGENI}
27.11.1 The Agent may resign and appoint one of its Affiliates acting through an Office in the Federal Republic of Germany as successor by giving notice to the Lenders and the Borrower.
27.11.2 Alternatively the Agent may resign by giving notice to the Lenders and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Agent.

> \begin{tabular}{l}  27.11.3 If the Majority Lenders have not appointed a successor Agent in \\ accordance with clause 27.11 .2 within 30 days after notice of resignation \\ \hline \hline was given, the Agent (after consultation with the Borrower) may appoint \\ \hline \hline suecessor Agent. \end{tabular}
27.11.4 The retiring Agent shall, at its own cost, make available to the strecessor Agent such documents and records and provide stich assistance as lits ancs performing Its functions as Agent under the Finance Documents.
27.11.5 The Agent's resignation notice shall only take offect upen the appointment of a successor.
27.11.6 Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents - but shall remain entitled to the benefit of this clause 27. Its successor and each of the other parties shatl have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

\subsection*{27.11.7 After consultation with the Borrown, the Majority Lenders may, by} notice to the Agent, require it to resign in accordance with clause 27.11.2. In this event, the Agent shall resign in accordance with clause 27.11 .2 .

\subsection*{27.12 GONFIDENTIALITY}
27.12.1 In acting as agent for the Finance parties, the Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.
27.12.2 If information is received by another division or department of the Agent, it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.
27.12.3 Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent nor the Arranger are obliged to disclose to any other person (i) any confidential information or (ii) any other information if the disclosure would or might in its reasonable opinion constitute a breach of any law or a breach of a fiduciary duty;

\subsection*{27.13 RELATIONSHIP WITH THE LENDERS}
27.13.1 The Agent may treat each Lender as a Lender, entitled to payments under this Agreement and acting through its Facility Office unless it has (received not less than five Business Days prior notice from that Lender to the contrary in accordance with the terms of this Agreement.
27.13.2 Each Lender shall supply the Agent with any information required by the Agent in order to calculate the Mandatory cost in accordance with Schedule 5-(Mandatory Cost Formula).
appraisal and investigation of all risks arising under or in connection With any Finance pocument including but not limited to:

\author{
27.14.1 the financial condition, status and nature of each member of the Group.
}
27.14.2 the legality, validity, effectivenes, adequacy or enforceability of any Finance Document and the Transaction Security and any other agreement, arrangement or document entered into, made or executed in anticipation of "under or in connection with any Finance Document or the Transaction Security;

\subsection*{27.14.3 whether that secured party has recourse, and the nature and extent of} that recourse, against any party or any of its respective assets under of
In connection with any Finance Document, the Iransaction security, the
transactions contemplated by the rinance Documents or any other agreement, arrangement of document entered inloma or executed in anticipation of cunder or in connection with any finance bocument;
27.14.4 the adequacy, accuracy and/or completeness of the Information Memorandum, the Reports and any other information provided by the Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in "anticipation of, under or in connection with any Finance Document; and
27.14 .5 the right or title of any person in or to, or the value or sufficiency of any part of the charged property, the priority of any of the Iransuction = security or the existence of any security affecting the charged property:

\subsection*{27.15 AGENT'S MANAGEMENT TIME}

Any amount payable to the Agent under clause 16.3 (Indemnity to the Agent). clause 18 (Costs and Expenses) and clause 27.10 (Lenders' indemnity to the Agent) shall include the cost of utilising the Agent's management time or other resources and will be calculated on the basis of such reasomable C daily or hourly rates as the Agent may notify to the Borrower and the Lenders, and is in addition to any fee paid or payable to the Agent under Clause 13 (Fees).

\subsection*{27.16 DEDUGTION FROM AMOUNTS PAYABLE BY THE AGENF}

If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that party, deduct an amount not exceeding that amount from any payment to that party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the "—purposes of the Finance Documents that party shall be regarded as having. received any amount so deducted.

\subsection*{27.17 RELIANGE AND ENGAGEMENT LETTERS}

Each Finance Party and Secured Party confirms that each of the Arranger and Each Agent has authority to accept on its behalf (and ratifies the =acceptance on its behalf of any letters or reports already accepted by the I- Arren on its behat of any letters or reports atready accepted by the relating to the Reports or any reports or letters provided by accountants in I in comnection with the rimance Documents or the transactions contemplated In the rinance bocuments and to bind It in respect of those Reports/: reports or letters and to sigm such letters on its behalf and further confirms that it accepts the terms and qualifications set out in such Leters.

\subsection*{27.18-COMMON PARTIES}

\section*{Notwithstanding that the Agent and the security Agent may from time to time} be the same entity, the Agent and the Security Agent have entered into the Finance Documents (to which they are party) in their separate capacities as agent for the rinance parties or (as appropriate) security agent and trustee for the Finance Parties provided that, where any Finance Document provides for the Agent or Security Agent to communicate with or provide三-instructions to the other, while the two parties in question are the same = entity, it will not be necessary for there to be any such formal Communication or instructions notwithstanding that the Finance Documents = provide in certain cases for the same to be in writing:

\subsection*{27.19 SECURITY AGENF}
27.19.1 Each other Finance Party appoints the security Agent to act as its trustee under and in connection with the Transaction security Documents.
27.19.2 Each other Finance Party authorises the Security Agent:
(—— (2) to exercise the rights, powers, authorities and discretions specifically given to the Security Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions;
(b) to execute each of the Transaction Security Documents and all other documents cha may be approve by the Agent andfor the Majority Lenders for execution by it.
27.19.3 The Security Agent accepts its appointment under clause 27.19 (Security Agent) as trustee of the Trust Property with effect from the date of this A Arecment to hold the Trust Property on trust for itself and the other Finance Parties (for so long as they are Finance parties) on and subject to the terms set out in clauses 27.19-27.28 and the Transaction Security =Documents to which it is a party.

\subsection*{27.20 APPLICATION OF CERTAIN CLAUSES TO SECURITY AGENT}
27.20.1-Glauses 27.6 (Rights and discretions), 27.8 (Responsibility for documentation) other than clause \(27.8 .10,27.9\) (Exclusion of liability)
 27.12 (Confidentiality) 27.13 (Relationship with the Lenders) 27.14 " by the Appraisal by the Lenders) and 27.16 (Deduction from amounts payable by the Agent shall each extend so as to apply to the security Agent in its capacity as such and for that purpose each reference to the "Agent" in these clauses shall extend to include in addition a reference to the "Security Agent" in its capacity as such.
= nominee, as it may direct) any property, assets and rights previously Vested in the retiring Security Agent pursuant to the Transaction \begin{tabular}{l} 
Security Documents and which shall not have vested in its successor by \\
\hline \hline operation of law. All such acts deeds and documents shall be done or
\end{tabular} operation of law. All such acts, deeds and documents shall be done or Ag the

\subsection*{27.21 INSTRUGTIONS TO SECURITY AGENT}
27.21.1 Unless a contrary indication appears in a Finance Document, the security Agent shall (a) exercise any right, power, authority or discretion vested in it as security Agent in accordance with any instructions given to it by the Agent (or, if so instructed by the Agent, refrain from exercising any right, power, authority or discretion vested in it as security Agent) and ((b) not be liable for any act (or omission) if it acts (or refrains from = taking any action) in accordance with such an instruction of the Agent (the Agent in each case acting on the instructions of the Majority Lenders or \(/\) If appropriate pursuant to clause 36.2.1 (Exceptions) the Lenders).
27.21.2 Unless a contrary indication appears in a Finance Document, any instructions given by the Agent to the security Agent in accordance with clause 27.21.1 will be binding on the Finance parties.

\title{
27.21.5 The security Agent is not authorised to act on behalf of a Finance party
}
(without first obtaining that Finance Party's consent) in any legal or
arbitration procedngs reiating to any finance bocument but this is
Without prejudice to clauses 27.21 .1 and 27.21.4, including without
" prejudice to the right to enforce the Transaction security Documents in accordance with these clauses.

\section*{27. 22 ORDER OF APPLIGATIOA}
27.22.1 The Security Agent agrees to apply the Trust Property in accordance with the following respective claims:
(a) FIRSI, as to a sum equivalent to the amounts payable to the security (a) Agent under the Finance Documents (other than any Hedge Agreement)
( \(\quad\) clause 27.10 (Lenders' indemnity to the Agent) as extended to the Security Agent pursuant to clause 27.20 (Application of certain clauses to security Agent) for the security Agent absolutely;
(- b) SECONDLY, as to a sum equivalent to the aggregate amount owing to the Finance Parties actually or contingently (other than the security
(C) THIROLY, as to a sum equivalent to amounts payable to a Hedge Counterparty under any Hedge Agreement;
(d) FOURTHLY, to such other persons (if any) as are legally entitled thereto in priority to the obligors; and
(-) FIFTHLY, as to the balance (if any) for the obligors absolutely pro-rata to the respective amounts paid, received or recovered from each of them always.

\subsection*{27.22.2 The security Agent shatl make each application as soon as is practicable} after the relevant moneys are received by, or otherwise become available to, it save that (without prejudice to any other provision contained in any Of the Transaction security Documents) the security Agent (acting on the instructions of the Agent) or any reciver or administrator may credit any moneys received by it to a suspense account for so long and in such manner as the security Agent or such receiver or administrator may from time to time determine with a view to preserving the rights of the Finance Parties Or any of them to prove for the whole of their respective claims against the Borrower or any other person liable.
27.22.3 The security Agent shall obtain a god discharge in respect of the amounts expressed to be due to the Finance Parties (other than itself) as referred to in clause 27.22 by paying such amounts to the Agent for distribution in accordance with clause 30 (Payment Mechanics).

\subsection*{27.23 PERPETUITIES}
27.23.1 The trusts constituted or evidenced in or by the Transaction security Documents and the Trust Ded shall remain in full force and effect until Whichever is the carlier of:

ב-(a) the expiration of a period of 80 years from the date of this Agrecment; and

\section*{( \((\underline{b})\) the first date after both of (i) receipt by the security Agent, at and} =- time when it is satisfied that all of the security providers are solvent, of confirmation in writing from the Agent that there is no longer outstanding any indebtedness (actual or contingent (other than any contingent indebtedness which is fully cash collateralised to the =-satisfaction of the relevant rinance

\footnotetext{
Party), and no obligation on any Finance Party to make available any indebtedness, which is secured or guaranteed by or under any of the Transaction Security Documents and (ii) all of the Transaction security Documents have been released in accordance with their terms/=
and the parties to this Agreement declare that the perpetuity period
applicable to the Transaction Security Documents and the trusts declared by the Trust Deed shall for the purposes of the Perpetuities and Accumulations Act 1964 be the period of 80 years from the date of this Agreement.:
}
27.24.1 In its capacity as trustee in relation to the Transaction security Documents, the security Agent:
(a) Powers generally: shall, without prejudice to any of the powers, discretions and immunities conferred upon trustees by law and to the oxtent not inconsistent with the provisions of this Agreement or and Of the Transaction security Documents), have all the same powers and discretions as a natural person acting as the beneficial owner of Agreement and/or any Transaction Security Document but so that the Security Agent may only exercise such powers and discretions to the extent that it is authorised to do so by the provisions of this Agreement:
(b) Power to invest: shall (subject to clause 27.22 (Order of application) ) be entitled (in its own name or in the names of nomines) to invest moneys from time to time forming_part of the Trust property or otherwise heid by it as a consequence of any enforcement of the security constituted by the Transaction Security Documents
which, in the reasomable opinion of the security Agent, it would not
be practicable to distribute immediately by placing the same on
deposit in the name or under the control of the security Agent as the Security Agent may think fit without being under any duty to diversify the same and the security Agent shall not be responsible for any loss arising from the security Agent's gross negligence or wilfut misconduct;
(c) Power to engage agents: may, in the conduct of its obligations under and in respect of the Transaction Security Documents, (otherwise than and in respect of the Transaction security Documents, (otherwise th in relation to its right to make any doclaration, determination or (whether being a lawyer, chartered accountant or any other person) to transact or concur in transacting any business and to do or concur in doing any acts required to be done by the security Agent (including the receipt and payment of money) and on the basis that (i) any such paid all usual professional and other charges for business transacted and acts done by him or any partner or employee of his in connection wh such employment and (il) the security Agent shall not be bound to supervise, or be responsible for any loss incurred by reason of any act of omission of, any such agent if the security Agent shall have exercised reasomable care in the selection of such agenti and
(d) Deposit of documents: may place all deeds, certificates and other documents relating to the property and assets subject to the Transaction security Documents which are from time to time deposited deposit safe or receptacle selected by the Security Agent exercis reasonable care or with any firm of solicitors selected by the security Agent exercising reasomable aare and may make any such arrangements as it thinks fit for allowing the Borrower access to, or its solicitors or auditors possession of, such documents when necessary or convenient and the security Agent shall not be responsible for any loss incurred in connection with any such deposit, access or possession if it has exercised reasonable care in the
27.25 ALL ENFORCEMENT ACTION THROUGH THE SECURITY AGENT
27.25.1 save as provided in clause 27.25.2, none of the other Finance parties shall have any independent power to enforce any of the Transaction security Documents or to exercise any rights, discretions or powers or to grant any consents or releases under or pursuant to any of the Transaction security Documents or otherwise have direct recourse to the security and/or (guarantecs constituted by any of the Transaction Security Documents except through the Security Agent.

\subsection*{27.27 INOEMNITY FROM TRUST PROPERTY}
27.27.1 In respect of all liabilities, costs, claims, charges or expenses for which the obligors are liable under this Agreement, the security Agent and "- every employee, officer, agent or other person appointed by it in connection with its appointment under the Transaction security Document (each an "INDEMNIFIED PARTY") shall be entitled to be indemnified out of the Irust property in respect of all liabilities, damages, costs, claims, charges or expenses whatsover properly incurred or suffered by an Indemnified Party:
\(\qquad\)
(a) in the execution or exercise or bona fide purported execution or exercise of the trusts, rights, powers, authorities, discretions and duties created or conferred by or pursuant to the relevant Transaction security Documents;
(b) as a result of any breach by a member of the Group of any of its obligations under any relevant Transaction security Document;

\author{
(c) in respect of any Envirommental Claim made or asserted against an
} Indemnified party which would not have arisen if the relevan Transaction security Documents had not been executed; and
(d) in respect of any matter or thing done or omitted in any way in accordance with the terms of the Finance Documents relating to the Trust Property or the provisions of any of the relevant Transaction security Documents:
27.27.2 The rights conferred by this clause 27.27 are without prejudice to any right to indemmity by law given to trustees generally and to any provision of the relevant Transaction Security Decuments ontitling the security Agen or any other person to an indemnity in respect of and/or reimbursement of any liabilities, damages, costs, claims, charges or expenses incurred of suffered by it in connection with any of the Iransaction security Document Or the performance of any duties under any of the Transaction Security Documents. Nothing contained in this clause 27.27 shall entitle the = Security Agent or any other person to be indemnified in respect of any I liabilities, damages/ costs/, claims, charges or expenses to the extent that ㄹ. the same arise from such person's own gross negligence or wilful misconduct

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27.28-FINANGE PARTIES TO PROVIDE INFORMATION
}

The Finance Parties shall provide the security Agent with such written information as it may reasonably require for the purposes of carrying out Its duties and obligations under the Transaction security Documents and in =particular, with such necessary directions in writing so as to enable the Security Agent to make the curutations and anplicutions connemplated by clause 27.22 (ar or anplication) and to appry amounts received under and the proceeds of realisation of, the relevant Transaction security Documents as contemplated by such Transaction security Documents, clause 30.5 (Partial payments) and clause 27.22 (Order of application).

\subsection*{27.29 RELEASE TO FACILITATE ENFORCEMENT AND REALISATION}

\begin{abstract}
Each finance party acknowledges that purswant to any enforcement action bu the Security Agent (or a Receiver) carried out on the instructions of the Agent it may be desirable for the purpose of such enforcement and/or maximising the realisation of the charged property being enforced against, that any rights or claims of or by the security Agent (for the benefit of the Finance Parties) and/or any Finance Parties against any obligor and/or any Security over any assets of any Obligor (in each case) as contained in OOr created by any Transaction security Document, other than such rights or Or created by any Transaction Security Document, other than such rights or claims of security being enforced, be released in order to facilitate suc enforcement action and/or reatisation and, notwithstanding any other
= provision of the Finance Documents, each Finance Party hereby irrevocably authorises the security Agent (acting on the instructions of the Agent) to =-grant any such releases to the extent necessary to fully effect such enforcement action and realisation including, without limitation, to the extent necessary for such purposes to execute release documents in the name Of and on behalf of the Finance parties. Where the relevant enforcement is Fby way of disposal of shares in a member of the Group, the requisite release shall include releases of all claims (including under guarantees) Of the -rimace parties anduor the security Agent aguinst such member of the Group or any of its subsidiaries and of all security over the assets of such member of the Group or any of its subsidiaries.

28 CONOUGT OF BUSINESS BY THE FINANGE PARTIES
\end{abstract}
28.1 FINANCE PARTIES TAX AFFAIRS

Noprovision of this Agreement will:
28.1.1 interfere with the right of any Finance Party to arrange its affairs (tax Or otherwise) in whatever manner it thinks fit:

\footnotetext{
28.1 .3 oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.
}

\subsection*{28.2 MAJORITY LENDERS}
reference to the opinion of the Majority Lenders or to be subject to the

\title{
28.2.3 For the purposes of clause 28.2.2, any Lender which notifies the Agent of
}28.2.3 wish or intention to abstain on any particular issue shall be treated asif it had not responded.

\section*{28.3-CONFLIETS}
28.3 .1 The Borrower acknowledges that the Arranger and its respective parent " undertakings, subsidiary undertakings and fellow subsidiary undertakings "(together the "ARRANGER GROUP") may be providing debt finance, equity capital or other services (including financial advisory services) to other = persons with which the Borrower mav have conflicting interests in respect Of the Facilities or otherwise.

\subsection*{28.3.2 No member of the Arranger Group shall use confidential information from} the Borrower by virtue of the Facilities or its relationships with the CBorrower in connection with their performance of services for other =- persons. This shall not, however, affect any obligations that any member of the Arranger Group has as Agent in respect of the Finance Documents. The Borrower also acknowledges that no member of the Arranger Group has aqu Obligition to use or furnich to the Borrower informa ion frem other persons for their benefit.
28.3.3 The terms "PARENT UNDERTAKING", "SUBSIOIARY UNDERTAKING" and "FELLOW
SUBSIDIARY UNDERTAKING" When used in this clause have the meaning-given to them in sections 258 and 259 of the Act.

\section*{29 SHARING AMONG THE FINANGE PARTIES}

\subsection*{29.1 PAYMENTS TO FINANGE PARTIES}

If a-Finance party (a "RECOVERING FINANCE PARTY") receives or recovers any amount from an obligor other than in accordance with clause 30 (Payment Mechanics) and applies that amount to a parment due under the Finance Documents then:
\(\qquad\)

\subsection*{29.1.1 the Recovering finance party shall, within two Business Days, notify} details of the receipt of recovery, to the Agent;
29.1.2 the Agent shall exclusively determine whether the receipt or recovery is In exeess of the amount the Recovering Finance Party would have been paid = had the receipt or recovery been received or made by the Agent and distributed in accordance with clause 30 (Payment Mechanics), without taking account of any Tax which would be imposed on the Agent in relation =to the receipt, recovery or distribution; and
29.1.3 the Recovering Finance Party shall, within two Business Days of demand by the Agent, pay to the Agent an amount (the "SHARING PAYMENT") equal to such receipt or recovery less any amount which the Agent exclusively determines may be retained by the Recovering finance party as its share of any payment to be made, in accordance with clause 30.5 (Partial payments).

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29.2 REDISTRIBUTION OF PAYMENTS
}

The Agent shall treat the sharing payment as if it had been paid by the Frelevant obligor and distribute it between the finance parties (other than the Recovering Finance Party) in accordance with clause 30.5 (Partiat (payments).

\section*{29.3-REGOVERING FINANGE PARTY'S RIGHTS}
29.3.1 On a distribution by the Agent under clause 29.2 (Redistribution of (payments), the Recovering Finance party will be subrogated the rights of the Finance parties which have shared in the redistribution.
29.3.2 If and to the extent that the Recovering Finance Party is not able to rely on its rights under clause 29.3.1, the Borrower shall procure that the = relevant obligor shall be liable to the Recovering Finance party for a debt Equal to the Sharing payment which is immediately due and payable.

\subsection*{29.4 REVERSAL OF REDISTRIBUTIOA}

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:
29.4.1 each Finance Party which has received a share of the relevant Sharing. Payment pursuant to clause 29.2 (Redistribution of payments) shall; upo F request of the Agent, pay to the Agent for account of that Recovering:
Finance Party an amount equal to the appropriate part of its share of the
Sharing Parment (tegether with an amount as is nocessary to reimburse that Recovering. Finance party for its proportion of any interest on the sharine Payment which that Recovering-Finance Party is required to pay)i and
relevant obligor will be liable to the reimbursing Finance Party for the
29.5 EXCEPTIONS
29.5 .1 This clause 29 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this clause, have a valid and enforceable claim against the relevant obligor in respect of such "payment.
29.5.2 A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering rinance Party has received or
(recovered as a result of taking legal or arbitration procedings, if:
(a) it notified the other Finance Party of the legal or arbitration procedings; and
(b) the other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasomably practicable having received notice and did not take separate legal or arbitration procedings.

\section*{30 PAYMENT MECHANICS}

\subsection*{30.1 PAYMENTS TO THE AGENT}
30.1 .1 on each date on which an obligor or a Lender is required to make a - payment under a Finance Document that obligor or Lender shall make the same I available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions In the relevant currency in the place of payment.

\subsection*{30.1.2 Payment shall be made to such account in the principal financial centre} Of the country of that currency-(or, in relation to euro, in a principat financial centre in a participating Member state or London) with such bank as the Agent specifies.

\subsection*{30.2 DISTRIBUTIONS BY THE AGENF}

Each payment received by the Agent under the Finance Documents for another party shall, subject to clause 30.3 (Distributions to an 0bligor) and =Clause 30.4 (Clawback) be made available by the Agent as soon as = practicable after receipt to the party entitled to receive payment in - accordance with this Agreement (in the case of a Lender, for the account of Its Facility office) to such account as that party may notify to the Agent - by not less than five Business Days' notice with a bank in the principat financial centre of the country of that currency (or, in relation to euro, in the principal financial centre of a Participating Member state or (In the London).

\subsection*{30.3 DISTRIBUTIONS TO AN OBLIGOR}

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The Agent may-(with the consent of the obligor or in accordance with clause
} 31 (set off) ) apply any amount received by it for that obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that obligor under the Finance Documents or in of towards purchase of any amount of any currency to be so applied.

\subsection*{30.4 CLAWBACK}
30.4.1 Where a sum is to be paid to the Agent under the Finance Documents for another party, the Agent is not obliged to pay that sum to that other party ( (or to enter into or perform any related exchange contract) until it has —been able to establish to its satisfaction that it has actually received that sum.
30.4.2 If the Agent pays an amount to another party and it proves to be the case that the Agent had not actually received that amount, then the party te Whom that amount (or the proceeds of any related exchange contract) was בpaid by the Agent shall on demand refund the same within two Business Days - to the Agent together with interest on that amount from the date of payment It the date of receipt calculated by the Agent to reflect its cost of funds.

\subsection*{30.5 PARTIAL PAYMENTS}
30.5.1 If the Agent receives a payment for application against amounts due in respect of any Finance Documents that is insufficient to discharge all the amounts then due and payable by an obligor under those Finance bocuments, the Agent shall apply that payment towards the obligations of that obligor under those Finance Documents in the following order:
(a) FIRSI, in or towards payment pro rata of any unpaid fees, costs and expenses of the Agent and the security Agent under those Finance Documents (other than any Hedge Agreement);
(b) SECONOLY, in or towards payment to the Lenders pro rata of any amount owing to the Lenders under clause 27.10 (Lenders' indemnity to the Agent) or any amount resulting from the indemnity to the security Agent under clause 27.20 (Application of certain clauses to security Agent): or commission due but unpaid under those Finance Documents (other than any Hedge Agreement);
(- (d) FOURTHLY, in or towards payment pro rata of any principal due but unpaid under those Finance Documents (other than any Hedge Agreement);
(e) FIFTHLY, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents (other than any Hedge Agreement)i: and

\subsection*{30.6 NO SET OFF BY OBLIGORS}

All payments to be made by an obligor under the finance pocuments shall be calculated and be made without (and free and clear of any deduction for). set off or counterclaim.

\subsection*{30.7 BUSINESS DAYS}
30.7.1 Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business bay (if there is not)
30.7.2 During any extension of the due date for payment of any principal of Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

\subsection*{30.8 CURRENCY OF ACCOUNT}
30.8 .1 subject to clauses 30.8 .2 to 30.8 .5 , the dollar is the currency of account and payment for any sum due from an obligor under any Finance Document.
30.8 .2 A repayment of a Loan or unpaid Sum-or a part of a Loan or unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
30.8 .3 Each payment of interest shall be made in the currency in which the sum In respect of which the interest is payable was denominated when that interest accrued.

\author{
30.8 .4 Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
}

\section*{30.8 .5 Any amount expressed to be payable in a currency other than the dollar} shall be paid in that other currency.

\section*{30.9-CHANGE OF CURRENGY}
30.9 .1 Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:

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(a) any reference in the Finance Documents to, and any obligations arising
} under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Borrower); and
( \({ }^{(b)}\) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other rounded up or down by the Agent (acting reasomably).
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30.9.2 If a change in any currency of a country occurs, this Agreement will to the extent the Agent (acting reasonably and after consultation with the
Borrower) specifies to be necessary, be amended to comply with any -generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

31 SET OFF
A Finance Party mayset off any matured obligation due from an obligof under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that obligor, regardless of the place of payment, booking branch of =currency of either obligation. If the obligations are in different =Currencies, the Finance Party may convert either obligation at a market Erate of exchange in its usual course of business for the purpose of the set off.

32 NOTICES

\subsection*{32.1 COMAUNIGATIONS IN WRITING}

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or registered letter.

\subsection*{32.2 ADORESSES}

> \begin{tabular}{l}  The address and fax number (and the department or officer if any for \\ Whose attention the communication is to be made) of each party for any \\ communication or document to be made or delivered under or in connection \\ \hline \hline with the Finance Documents is: \end{tabular}
32.2.1 in the case of the Borrower, that identified with its name below;
32.2 .2 in the case of each Lender or any other obligor, that notified in writing to the Agent on or prior to the date on which it becomes a partyi- and
32.2 .3 in the case of the Agent or the security Agent, that identified with its \(\rightarrow\) name below
or any substitute address, fax number or department or officer as the party may notify to the Agent (or the Agent may notify to the other parties, if " change is made by the Agent) by not less than five Business bays' notice.

\subsection*{32.3 DELIVERY}
32.3 .1 Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:
(르) if by why of fax, when received in legible form; of
(b) if by way of registered letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,
and, if a particular department or officer is specified as part of its address details provided under clause 32.2 (Addresses). if addressed to that department or officer.
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\section*{32.4- NOTIFIGATION OF ADORESS AND FAX NUMBER}

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} Of address or fax number pursuant to clause 32.2 (Addresses) or changing its own address of fax number, the Agent shall notify the other parties.

\subsection*{32.5 ELECTRONIC COMMUNICATION}
32.5 .1 Any communication to be made betwen the Agent or the security Agent and a Lender under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Agent, the security Agen and the relevant Lender:
(-a) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
(b) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
(c) notify ach other of any change to their address or any other such Information supplied by them.
32.5.2 Any electronic commumication made betwon the Agent and a Lender or the Security Agent will be effective only when actually received in readable form and in the case of any electronic communication made by a Lender to the Agent or the security Agent onty if it is addressed in such a manner as the Agent or security Agent shatl specify for this purpose.

\subsection*{32.6 USE OF WEBSITES}
32.6 .1 The Borrower may satisfy its obligation under this Agroement to deliver any information in relation to those lenders (the "WEBSITE LENDERS") whe wecent thic method of commmicarion by nocting thic information ont an electronic whsite designated by the Borrower and the Agent (the "DESIGNATED WEBSITE") if:
(a) the Agent expressly agrees (after consultation with each of the Lenders) that it will accept communication of the information by this method;
(- (b) both the Borrower and the Agent are aware of the address of and any relevant password specifications for the Designated website; and

\section*{(C) the information is in a format previously agreed between the Borrower} and the Agent:

If any Lender (a "PAPER FORM LENDER") does not agree to the delivery of Information electromicany then the Agent shax metiy the Borrower accordingly and the Borrower shatl at its oun cost supply the information to the Agent (in sufficient copies for each paper form Lender) in paper form. In any event the Borrower shall at its own cost supply the Agent with at least one copy in paper form of any information required to be provided byit.
32.6.2 The Agent shall supply each Website Lender with the address of and any relevant password specifications for the Designated website following designation of that whsite by the Borrower and the Agent.
32.6 .3 The Borrower shall promptly upon beoming aware of its accurrence notify the Agent if:
(a) the Designated Website cannot be accessed due to technical failure;
(—b) the passwrd specifications for the Designated website change;
(c) any new information which is required to be provided under this Agreement is posted onto the Designated Website;
(d) any existing information which has been provided under this Agreement and posted onto the Designated Website is amended; or
(b) if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional statutory or other official document.

\section*{32.8-NO PERSONAL LIABILITY}

If an individual signs a certificate on behalf of any member of the Group and the certificate proves to be incorrect, the individual will incur ne = personal liability as a result, unless the individual acted fraudulently in giving the certificate. In this case any liability of the individual will be determined in accordance with applicable law.
33 CALCULATIONS ANO CERTIFIGATES

\subsection*{33.1 FINANGE PARTY ACCOUNTS}

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts = maintained by a Fimance-party are prima facie evidence of the matters to which they relate.

\subsection*{33.2 CERTIFICATES AND DETERMINATIONS}

Any cortification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

\subsection*{33.3 DAY GOUNT COAVENTIOA}

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number Of days elapsed and a year of 360 days or in any case where the practice In the Relevant Interbank Market differs, in accordance with that market "practice.
34 PARTIAL INVALIOITY
If, at any time, any provision of the rinance Documents is or becomes jurisdiction, neither the leable in any respec under any ity of the remaining provisions nor the legality, validity or enforceability of such =-provision under the law of any other jurisdiction will in any way be affected or impaired.

35 REMEDIES AND WAIVERS
No failure to exercise, nor any delay in exercising, on the part of any Finance Party or Secured Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or
\(\qquad\)
—partial exercise of any right or remedy prevent any further or other =- exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

\section*{36 AMENDMENTS AND WAIVERS}

\subsection*{36.1 REQUIRED CONSENTS}
36.1.1 subject to clause 36.2 (Exceptions) any term of this Agreement may be amended or waived only with the consent of the Majority Lenders and the Borrower and any such amendment or waiver will be binding on all parties.
36.1.2 The Agent may (or in the case of Transaction Security Documents, instruct the Security Agent to) effect, on behalf of any Finance party, any amendment or wiver permitted by this clause 36.

\subsection*{36.2 EXCEPTIONS}
36.2.1 An amendment or waver that has the effect of changing or which relates to:
(2) the definition of "Majority Lenders" in clause 1.1 (Definitions)i/
(b) an extension to the date of payment of any amount under the Finance Documents;
(C) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
(- (d) a change in currency of parment of any amount under the Finance Documents;
(-_ (e) an increase in or an extension of any Commitment or the Total Commitments;
( \((f)\) release of any Security Provider other than in accordance with clause 26 (Matters concerning the obligors)-i
(-g) any provision which expressly requires the consent of all the Lenders;
(Ch) clause 2.2 (finance parties' rights and obligations), clause 8 (Mandatory Prepayment), clause 25 (changes to the Lenders) or this clause 36;
( \((i)\) the mature or scope of the Charged Property (other than resulting from a Permitted Disposal or Permitted Transaction or Third Party Disposat (as defined in clause 26.3 (Resignation of a Security Provider)) or resulting from the enforcement of the Transaction Security Documents) or the manner in which the proceds of enforcement of the Tramsaction security are distributed;
C.(j) the release of any Transaction security unless (i) permited of required under this Agrecment or any other Finance Document,_(ii) pursuant to or in connection with any enforcement of the Transaction Security Documents including, pursuant to clause 27.29 (Release to facilitate enforcement and realisation) or (iii) relating to a sale of disposal of an asset which is the subject of the Transaction security where such sale or disposal is a Permitted Disposal or Permitted Transaction or Third Party Disposal (as defined in clause 26.3 (Resignation of a security Provider) ) or is otherwise expressly permitted under this Agreement or any other rinance Document/

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36.2.4 Notwithstanding clauses 36.2 .1 to 36.2 .3 the Agent may make technicat amendments to the Finance Documents arising out of manifest errors on the \\ face of the Finance Documents, where such amendments would not prejudice or otherwise be adverse to the interests of any Finance Party without any
} - reference or consent of the Finance parties.

\section*{37 COUNTERPARTS}

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

\section*{38 PUBLICITY}

The Borrower and all other Parties agree to any reasonable request by the Arranger to publicise, and for the Arranger to be included in all publicity relating to, the Acquisition.

\section*{39 PATRIOT AGT NOTICE}

Each Lender and the Agent (for itself and not on behalf of any Lender) hereby notifies the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrower and its subsidiaries/ which information includes ㅍ the name and address of the Borrower and its subsidiaries and other Information that will allow the Agent and each Lender to identify the Borrowner and its subsidiaries in accordance with the patriot Act, and the - Berraner and and the Or any Lender upon reasonable request to the extent such information is not accessible by the relevant Lender or the Agent.
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\section*{SECTION 12: GOVERNING LAW AND ENFORCEMENT}

\section*{40 GOVERNING LAW}

This Agreement is governed by English law.

\section*{41 JURISOICTIOA}
41.1 The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute Fregarding the existence, validity or termination of this Agreement)-(ä "DISPUTE").
41.2 The parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue te the contrary
41.3 This clause 41 is for the benefit of the rinance parties and secured P Parties only. As a result, no Finance Party or secured Party shall be —prevented from taking_proceedings relating to a Dispute in any other courts =with jurisdiction. To the extent allowd by law, the Finance Parties and secured parties may take concurrent procedings in any number of -jurisdictions.

\section*{42 SERVICE OF PROGESS}
42.1 Without prejudice to any other mode of service allowed under any relevant law the Borrower:
42.1 .1 irrevoably appoints and undertakes to procure that each obligor appoints Holman, Fenwick \& Willan (Marlow House, Lloyd's Avenue, London EC3N 3AL) as Its zgent for service of proces in rexuion to any-ineedings before the English courts in connection with any Finance Document; and

\subsection*{42.1.2 agrees that failure by a process agent to notify it or any relevant} Obligor of the process will not invalidate the proceedings concerned.
42.2 If any person appointed as process agent is unable for any reason to act as agent for service of process, the Borrower (on behalf of all the obligors) mmst immediately (and in any event within ten days of such event taking (place) appoint another agent on terms acceptable to the Agent. Failing. this, the Agent may appoint another agent for this purpose.

This Agreement has been entered into on the date stated at the beginning of this Agreement.
\begin{tabular}{ll}
\hline AAME OF BORROWER & OF INCORPORATION
\end{tabular}

Fax: +49 40 333334118
Attention: Shippingi Greek Clients

\title{
THIS REGISTRATION RIGHTS AGREEMENT (this "Agreement") is ontered inte as of the day of 2004 , by and among: International Shipping Enterprises, Inc., a Delaware corporation (the "Company") i, and the undersigned parties listed under Investors on the signature page hereto (each, an "Investor" and collectively, the "Investors"). \\ WHEREAS, the Investors currently hold all of the issued and outstanding securities of the Compant;
}

WHEREAS, the Investors and the company dosire to enter into this
Agreement to provide the Investors with certain rights relating to the
registration of shares of Common stock held by them;
NOW, THEREFORE, in consideration of the mutual covenants and agreements cufficion herein, and for other good and valuable consideration, the receipt and an whichey of wereby acknowledged, the parties hereto agree as follows:
1. DEFINITIONS. The following capitalized terms used herein have the following meanings:
"Agreement" means this Agreement, as amended, restated, supplemented, or otherwise modified from time to time.
"Commission" means the securities and Exchange commission, or any other federal agency then administering the securities Act or the Exchange Act.
"Common Stock" means the common stock, par value \(\$ 0.0001\) per share, of the Comprany.
"Company" is defined in the preamble to this Agreement.
" "Demand Registration" is defined in section 2.1.1.
"Demanding Holder" is defined in Section 2.1.1.
"An "Exchange Act" means the securities Exchange Act of 1934, as amended, and the rules and regulations of the commission promurgated thereunder, aII as the same shall be in effect at the time.
" "Form-s 3" is defined in section-2.3.
"Indemnified Party" is defined in Section 4.3.
"Indemnifying_Party" is defined in Section 4.3.
"Investor" is defined in the preamble to this Agreement.
"Investor Indemnified Party" is defined in section 4.1.

\section*{"Maximum Number of shares" is defined in section 2.1.4.}
"Notices" is defined in section 6.3.
" "Piggy Back Registration" is defined in Section 2.2.1.

\begin{abstract}
"Register," "registered" and "registration" mean a registration
effected by preparing and filing a registration statement or similar document in compliance with the requirements of the securities Act, and the applicable rules and regulations promulgated thereunder, and such registration statement becoming
\end{abstract} effective.
"Registrable securitics" mean all of the shares of Common stock onned or held by Investors. Registrable Securities include any warrants, shares of eapital stock or other securities of the company issued as a dividend or other distribution with respect to or in exchange for or in replacement of such shares of Common Stock. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when: (a) a Registration Statement with fespect to the sale of such securities shall have become effective under the securities Act and such securities shall have been sold, transferred dispesed of or exchanged in accordance with such Registration Statement; (b) such securities shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by the Gompany and subsequent public distribution of them shall not require
registration under the Securities Act; (c) such securities shall have ceased to be outstanding, or (d) the securities and Exchange Commission makes a definitive determination to the company that the Registrable Securities are salable under Rule 144(k):
"Registration statement" means a registration statement filed by the Gompany with the Commission in compliance with the securities Act and the rules and regulations promulgated thereunder for a public offering and sale of common stock (other than a registration statement on form S-4 or form \(\mathrm{S}-8\), or their successors, or any registration statement covering only securities proposed to be issued in exchange for securities or assets of another entity):
"Release Date" means the date on which shares of Common Stock are disbursed from escrow purstant to section 3 of that certain Stock Escrow Agreement dated as of continental Stock Transfer \& Trust Company.
"Securities Act" means the securities Act of 1933, as amended, and the rules and regulations of the commission promulgated thereunder, all as the same fules and be in effect at the time.
\(\Longrightarrow \geq\)
2.1.1. Request for Registration. At any time and from time to nvestors, may make a written demand for registration under the securities Act of all or part of their Registrable Securities (a "Demand Registration"). Any temand for a Demand Registration shall specify the number of shares of Registrable Securities proposed to be sold and the intended method(s) of distribution thereof. The Company will notify all holders of Registrable securities of the demand, and exch holder of Registrable securities who wishes to include all or a portion of stuch holder's Registrable securities in the bemand Registration (each such holder including shares of Registrable Securities n such registration, a "Demanding Holder") shall so notify the Company within fifteen (15) days after the receipt by the holder of the notice from the Gompany. Upon any such request, the Demanding Holders shall be entitled to have their Registrable Securities included in the Demand Registration, subject to section 2.1.4 and the provisos set forth in section 3.1.1. The company shall not be obligated to effect more than an agoregate of two (2) Demand Registrations under this section 2.1.1 in respect of Registrable Securities.
2.1.2. Effective Registration. A registration will not count as a Demand Registration until the Registration Statement filed with the Commission with respect to such Demand Registration has been declared effective Commission with respect to such Demand Registration has been declared effectiv with respect thereto; provided, however, that if, after such Registration statement has been declared effective, the offering of Registrable securities pursuant to a Demand Registration is interfered with by any stop order or injunction of the Commission or any other governmental agency or court, the Registration statement with respect to such Demand Registration will be deemed not to have been declared effective, unless and until, (I) such stop order or injunction is removed, rescinded or otherwise terminated, and (ii) a majority in interest of the Demanding Holders thereafter exect to continue the ffering.i-provided, further, that the company shall not be obligated to file a second Registration Statement until a Registration statement that has been filed is counted as a Demand Registration or is terminated.
2.1.3. Underwiten offering. If a majority in interest of the emanding Holders so elect and such holders so advise the company as part of weir written demand for a Demand Registration, the offering of such Registrable securities pursuant to such Demand Registration shall be in the form of an underwritten offering. In such event, the right of any holder to include its Registrable securities in such registration shall be conditioned upon such holder's participation in such underwriting and the inclusion of such holder's eqietrable securities in the underwriting the extent provided herein 111 Demanding Holders proposing to distribute their securities through such underwriting shall enter into an underwriting agreement in customary form with the Underwriter or Underwriters selected for such underwriting by majority in interest of the holders initiating the Demand Registration.
2.1.4. Reduction of offering. If the managing Underwriter or Underwriters for a Demand Registration that is to be an underwritten offering advises the Company and the Demanding Holders in writing that the dollar amount or number of shares of Registrable Securities which the Demanding Holders desire to sell, taken together with all other shares of common stock or other securities which the company desires to sell and the shares of common stock, if ank, as to which registration has been requested purstuant to written contractual piggy back registration rights held by other shareholders of the company who desire
to sell, exceeds the maximum dollar amount or maximum number of shares that can be sold in such offering without adversely affecting the proposed offering. price, the timing, the dictribut such offering_(such maximum dollar amount or maximum number of shares, as applicable, the "Maximum Number of Shares"), then the Company shall include in such registration: (i) first, the Registrable securities as to which Demand Registration has been requested by the Demanding Holders (pro rata in accordance with the number of shares of Registrable Securities which such Demanding Holder has requested be included in such registration, regardless of the number of shares of Registrable Securities held by each Demanding Holder) that can be sold whout excerding the Maximum Number of shares; (in) second, to the extent that the Maximum Number of Shares has not been reached under the foregoing clause (i), the shares of common stock or other securities that the company desires to sell that can be sold without exceeding the Maximum Number of shares; (iii) third, to the extent that the Maximum Number of Shares has not been reached under the foregoing clauses (i) and (ii), the shares of Common Stock for the acount of other persons that the Company is obligated to register pursuant te written contractual arrangements with such persons and that can be sold without exceeding the Maximum Number of Shares; and (V) fourth, to the extent that the Maximum Number of Shares have not been reached under the foregoing clauses (i) ( \(i\) i) and ( \(i\) iii), the shares of Common Stock that other shareholders desire to sell that can be sold without exceding the Maximum Number of shares.
2.1.5. Withdrawal. If a majority in interest of the Demanding Holders disapprove of the terms of any underwriting or are not entitled to include all of their Registrable securities in any offering, such majority-in-interest of the Demanding Holders may elect to withdraw from such offering by giving written notice to the Company and the Underwriter of peaistration statement filed with the Registration If the majorityin the cost of the win Registration. If the majority-in-interest of the Demanding Holders withdraws from a propesed offering relating to a Demand Registration, then such registration shall not count as a Demand Registration provided for in section 2.1 .1.
of other obligations exercisable or exchangeable for or convertible into equity securities, by the company for its own account or for shareholders of the ampany a ion for Registration statement ( \(i\) ) filed in connection with any employee stock option or ther benefit plan, (ii) for an exchange offer or offering of securities solely, to the Company's existing shareholders, (iii) for an offering of debt that is men einvestment plan, then the company shall ( \(x\) ) give written notice of such roposed filing to the holders of Registrable securities as soon as practicable but in no event less than ten (10) days before the anticipated filing date which notice shall deseribe the amount and type of securities to be included in such offering, the intended method(s) of distribution, and the name of the proposed managing Underwriter or Underwriters, if any, of the offering, and (y) offer to the holders of Registrable Securities in such notice the opportunity to register the sale of such number of shares
of Registrable securities as such holders may request in writing within fifteen (15) days following receipt of such notice (a "Piggy Back Registration"). The Company shall cause such Registrable Securities to be included in such on and shall use its best efforts to cause the managing enderwriter or Inderwriters of a proposed underwritten offering to permit the Registrable Securities requested to be included in a Piggy Back Registration to be included on the same terms and conditions as any similar securities of the company and to permit the sale or other disposition of such Registrable securities in accordance with the intended method(s) of distribution thereof. All holders of Registrable securities proposing to distribute their securities through a Piggy Back Registration that involves an Underwriter or Underwriters shall enter into an underwriting agreement in customary form with the underwriter of Hnderwriters selected for such Piggy Back Registration.
2.2.2. Reduction of offering. If the managing underwriter or Anderwriters for a Piggy Back Registration that is to be an underwritten ffering advises the Company and the holders of Registrable securities in Writing that the dollar amount or number of shares of common stock which the Company desires to sell, taken together with shares of common stock, if any, as to which registration has been demanded pursuant to written contractual arrangements with persons other than the holders of Registrable securities hereunder, the Registrable Securities as to which registration has been fequested under this section 2.2, and the shares of Common Stock, if ank, as to which registration has been requested pursuant to the written contractuat piggy back registration rights of other shareholders of the company, exceeds the Maximum Number of Shares, then the company shall include in any such registration:
(i) If the registration is undertaken for the Company's account: ( \((1)\) first, the shares of Common stock or other securities that the Gompany desires to sell that can be sold without exceeding the Maximum Number of shares; ( \(B\) ) second, to the extent that the Maximum Number of shares has not been reached under the foregoing clause (A), the shares of common stock, if any, including the Registrable securities, as to which registration has been requested pursuant to written contractual piggy back registration rights of security holders (pro rata in accordance with the number of shares of common Stock which each such person has actually requested to be included in such registration, regardless of the number of shares of common stock with respect to wich such persons have the right to request such inclusion) that can be sold without exceeding the Maximum Number of Shares; and
(ii) If the registration is a "demand" registration undertaken at the demand of persons other than the holders of Registrable Securities pursuant to written contractual arrangements with such persons,_(A) first, the shares of Common stock for the account of the demanding_persons that ean be sold without exceeding the Maximum Number of shares; (B) second, to the extent that the Maximum Number of shares has not been reached under the
foregoing clause (A) the shares of Common Stock or other securities that the Gompany desires to sell that can be sold without exceeding the Maximum Number of Shares; and ( \(\underline{C}\) ) third, to the extent that the Maximum Number of shares has not wen reached under the foregoing clauses (A) and (B), the Registrable securities as to which registration has been requested under this section 2.2 (pro rata in accordance with the number of shares of Registrable securities held by each such holder)i and (Q) fourth, to the extent that the Maximum Number of shares has not been reached under the foregoing clauses (A), (B) and (C), the shares of common stock, if any, as to which registration has been requested pursuant to written eontractual piggy=
back registration rights which other shareholders desire to sell that can be sold without exceding the Maximum Number of Shares.
 may at any time and from time to time, request in writing that the company register the resale of any or all of such Registrable Securities on Form S-3 or any similar short form registration which may be available at such time ("Form fequest through an underwritten offering. Upon receint of such write en rect such request through an underith the Company will promptly give written notice of the proposed registration to all other holders of Registrable securities, and, as soon as practicable thereafter, effect the registration of all or such portion of such holder's of holders' Registrable Securities as are specified in such request, together with all or such portion of the Registrable securities of any other holder or holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the company; provided, however, that the company shall not be obligated to effect any such
 such offering.; or (ii) if the holders of the Registrable Securities, together
with the holders of any other securities of the company entitled to inclusion in
such registration, propose to sell Registrable securities and such other
securities (if any) at any aggregate price to the public of less than \(\$ 500,000\) egistrations effor pur to this section 2.3 shall not be counted as Pemand Registrations effected pursuant to section 2.1.
3. REGISTRATION PROCEDURES.
3.1 Filings: Information. Whenever the company is required to effect

\section*{the registration of any Registrable securities pursuant to section 2 , the}

Company shall use its best efforts to effect the registration and sale of such Registrable securities in accordance with the intended method(s) of distribution theroof as expeditiously as practicable, and in connection with anysuch request:
ditiously 2 3.1.1. a request for a Demand Registration pursuant to section 2.1, prepare and file with the Commission a Registration Statement on any form for which the company then qualifies or which coumsel for the company shall doem appropriate and which form-shall be available for the sale of all Registrable securities to be
registered thereunder in accordance with the intended method(s) of distribution thereof, and shall use its best efforts to cause such Registration Statement to become and remain effective for the period required by section 3.1.3; provided, owever that the Company sha have the right to defer any Demand Pegistration for up to thirty (30) days, and
any Piggy Back Registration for such period as may be applicable to deferment of any demand registration to which such Piggy Back Registration relates, in each case if the Company shall furnish to the holders a certificate signed by the Ghief Executive Officer of the company stating that, in the good faith judgment of the Board of Directors of the Company, it would be materially detrimental to the company and its shareholders for such Registration statement to be effected at such time; provided further, however, that the Company shall not have the fight to exercise the right set forth in the immediutery procoding_proviso-more than once in any 365 day period in respect of a Demand Registration hereunder:
3.1.2. Copies. The Company shall, prior to filing a

Registration statement or prospectus, or any amendment or supplement thereto,
furnish without charge to the holders of Registrable securities included in such registration, and such holders' legal counsel, copies of such Registration Statement as proposed to be filed, each amendment and supplement to such Registration Statement (in each case including all exhibits thereto and documents incorporated by reference therein) the prospectus included in such Pegistration Statement (including each preliminary prospectus) and such other Regrents the holders of Regie or legal coumsel for any such holders may request in order to facilitate the disposition of the Registrable securities ouned by such holders.
3.1.3. Amendments and supplements. The company shall prepare and file with the Commission such amendments, including post effective amendments, and supplements to such Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Registration statement effective and in compliance with the provisions of the securitios Act until all Registrable Securities and other securities covered by such Registration statement have been disposed of in accordance with the intended method (s) of distribution set forth in such Registration Statement (which period shall not exceed the sum of one humdred eighty (180) days plus any period during which any such disposition is interfered with by any stop ordor or injunction of the Commission or any governmental agency or court) or such securities have been witherawn.
statement, the company shall promptly, and in no event more than two (2)
business days after such filing, notify the holders of Registrable securities included in such Registration statement of such filing, and shall further notify such holders promptly and confirm such advice in writing in all events within two (2) business days of the occurrence of any of the following: (i) when such Registration statement becomes effective; (ii) when any post effective amendment to such Registration statement becomes offective; (iii) the issuance or
threatence issuance by the commission of any stop order (and the company shall
 it if entered); and (iv) any request by the commission for any amendment or supplement to such Registration Statement or any prospectus relating thereto of for additional information or of the occurrence of an event requiring the preparation of a supplement or amendment to such prospectus so that, as
 Registration statement, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and promptly make available to the holders of Registrable securities included in such Registration Statement any such supplement or amendment; except that before filing with the Gommission a Registration Statement or
prospectus or any amendment or supplement therete, including documents Registrable securiter included in such Registration Statement and to the legat counsel for any such holders, copies of all such documents proposed to be filed sufficiently in advance of filing to provide swch holders and legal counsel with a reasonable opportunity to review such documents and comment thereon, and the Gompany shall not file any Registration Statement or prospectus or amendment or supplement thereto, including documents incorporated by reference, to which such holders or their legal coumsel shall object.
3.1.5. State securities Law Compliance. The Company shall use
tes best efforts by the Registration Stacement under such secur jurisdictions in the United States as the holders of Registrable Securities melued in such Registration statement (In light of their intended pian on distribution) may request and (ij) take such action necessary to cause such Registrable Securities covered by the Registration Statement to be registered with or approved by such other Governmental Authorities as may be necessary by Virtue of the business and operations of the company and do any and all other acts and things that may be necessary or advisable to enable the holders of Registrable Securities included in such Registration Statement to consummate the lon hower, that the Company shall not be required to qualify generally to do
business in any jurisdiction where it would not otherwise be required to qualify
3.1.6. Agreements for Disposition. The Gompany shall enter
into customary agreements (including, if applicable, an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities. The representations, warranties and covenants of the company in any underwriting agrecment which are made to or for the benefit of any Underwriters, to the extent applicable, shall also be made to and for the benefit of the holders of Registrable securities included in such registration statement. No holder of Registrable securities included in such registration statement shall be required to make any representations or warranties in the underwriting agreement exceptr if applicable, with respect to such holder's organization, good standing, authority, title to Registrable securitios, lack of conflict of such sale with such holder's material agreements and organization documents/ and with respect to written information relating to such holder that such holder has furnished in writing expressly for inclusion in such Registration Statement.
3.1.7. Cooperation. The principat executive officer of the Company, the principal financial officer of the Company, the principat accounting officer of the Company and all other officers and members of the management of the company shall cooperate fully in any offering of Registrable preparation of the Registration Statement with respect to such offering and all other offering materials and related documents, and participation in meetings with Underwriters/ attorneys, accountants and potential investors.
3.1.8. Records. The Company shall make available for
inspection by the holders of Registrable Securities included in such Registration Statement, any Underwriter
participating in any disposition pursuant to such registration statement and any attorney, accountant or other professional retained by any holder of Registrable Securities included in such Registration Statement or any Underwriter, all financial and other records, pertinent corporate documents and properties of the Gompany, as shall be necessary to enable them to exercise their due diligence responsibility, and cause the company's officers, directors and employees to supply all information requested by any of them in connection with such Registration statement.
3.1.9. Opinions and Comfort Letters. The Company shall furnish to each holder of Registrable securities included in any Registration statement a signed counterpart, addressed to such holder, of (i) any opinion of counsel to he cen company's independent public accountants delivered to any Underwriter. In the event no legal opinion is delivered to any Underwriter, the company shall furnish to each holder of Registrable securities included in such Registration Statement, at any time that such holder elects to use a prospectus, an opinion of counsel to the Company to the effect that the Registration Statement eqntaining such prospectus has been declared effective and that no step order is in effect.
3.1.10. Earnings Statement. The Company shall comply with all make available to its shareholders, as soon as practicable, an earnings statement covering a period of twelve (12) months, beginning within three (3) months ufter the enfective aute enf registration stument, which earnings statement shall satisfy the provisions of section 11(a) of the securities Act and Rule 158 thereunder.
3.1.11. Listing. The company shall use its best efforts to
eause all Registrable securities included in any registration to be listed on such excies issued by the e destgmated for trading or desianated or if no such securities lssue company are then listed or an simluar securities are then listed or desigmated, in a manner satisucters of a majority of the Registrable securities included in such registration.
3.2 Obligation to Suspend Distribution. Upon receipt of any notice from the Company of the happening of any event of the kind deseribed in section 3.1.4(iv), or, in the case of a resale registration on Form \(s\) - 3 pursuant to section 2.3 hereof, upon any suspension by the company, pursuant to a written section 2.3 hereof, upon any suspension by the Company, pursuant to a written insider trading compliance program adoped by the company's Board of oirecte of the ability of all "insiders" covered by such program to transact Company's securities because of the existence of material non-public information, each holder of Registrable securities included in any registration shall immediately discontinue disposition of such Registrable securities pursuant to the Registration Statement covering such Registrable Securities until such holder receives the supplemented or amended prospectus contemplated by section 3.1 .4 (iv) or the restriction on the ability of "insiders" to transact in the company's securities is removed, as applicable, and, if so directed by the Company, each such holder will deliver to the Company all copies, other than permanent ine copies then in sueh holder spossession, of the most recent prospectus covering such Registrable securities at the time of receipt of such netice.

3.3 Registration Expenses. The Company shall bear all costs and
expenses incurred in connection with any Demand Registration pursuant to section Z.1, any Piggy Back Registration pursuant to section 2.2, and any registration on Form S-3 effected pursuant to section 2.3 , and all expenses incurred in performing or complying with its other obligations under this Agreement, whether of not the Registration statement becomes effective, including, without limitation: (i) all registration and filing fees; (ii) fees and expenses of compliance with securities or "blue sky" laws (including fees and disbursements of counsel in connection with blue sky qualificutions of the Registrable securities); (iii) printing expenses; (iv) the Company's internal expenses (including, without limitation, all salaries and expenses of its officers and employees) i- ( \(V\) ) the fees and expenses incurred in connection with the listing of the Registrable securities as required by section- 3.1 .11 ; (vi) National Association of securities Dealers, Inc. fees; (vii) fees and disbursements of counsel for the company and fees and expenses for independent certified public acountants with the delivery of any opinions or comfort letters requested pursuant to

Section 3．1．9）－（viii）the fees and expenses of any special experts retained by the company in connection with such registration and（ix）the fees and expenses Registrable securities included in such registration．The Company shall have obligation to pay any underwriting discounts or selling commissions attributable to the Registrable securities being sold by the holders thereof，which underwriting discounts or selling commissions shall be borne by such holders． Additionally，in an underwritten offering，all selling shareholders and the Gompany shail bear the expenses of the underwriter pro rata in proportion to the respective amount of shares each is selling in such offering．

3．4 Information．The holders of Registrable securities shall provide such information as may reasomably be requested by the company，or the managin Underwriter，if any，in connection with the preparation of any Registration Statement，including amendments and supplements thereto，in order to effect the egistration of any Registrable securities under the securities Act pursuant te
 and applicable state securities laws．

\section*{4．INOEANIFIGATION AND CONTRIBUTION．}

4．1 Indemmification by the company．The Company agrees to indemmify and of thes each Investor and each other holder of Registrable securities，and
 and each other holder of Pegis f the securitioc or contion 20 of the Exchang Ant）（each＂Invoct indemnified party＂）from and aginst any expenses losses iwdements claime
 any untrue statement（or allegedly untrue statement）of a material fact
contained in any Registration Statement under which the sale of such Registrable securities was registered under the securities Act，any preliminaryprospectus／ inal prospectus or summary prospectus contained in the Registration statement \(r\) any amendment or supplement to such Registration statement，or arising out of or based upon any omission（or alleged omission）to state a material fact required to be stated therein or necessary to make the statements therein not misleading，or any violation by the company of the securities Act or any rule or regulation promulgated thereunder
applicable to the company and relating to action or innction required of the company in connection with any such registration；and the company shall promptly reimburse the Investor Indemnified Party for any legal and any other expenses reasomably incurred by such Investor Indemnified Party in connection with investiguting and defending any such expense，loss，judgment，claim，damager， liability or action；provided，however，that the company will not be liable in any such case to the extent that any such expense，loss，claim，damage or intrue sarises out of or is based upon any untrue statement ar allegedy statement，preliminary prospectus，final prospectus，or summary prospectus，or any such amendment or supplement，in reliance upon and in conformity with any such amenement or stpplement，in reliance upon and in conformity with expressly for use therein．The Company also shall indemnify any underwriter of the Registrable Securities，their officers，affiliates，directors，partners， the Registrable securities，their on and agents and each person controls such underwriter of members and agents and each person who controls such underwriter on substantialyy the

4．2 Indemnification by Holders of Registrable securities．Each selling． and in the event that any registrulion－ being effected under the securities Act pursuant to this Agreement of any保
 and an who controls such selling holac or such ant agat any losses， rams／，Judgments，damages or liabilities，whether joint or several，insofar as such losses，claims，judgments，damages or liabilities（or actions in respect thereof）arise out of or are based upon any untrue statement or allegedly umtrue statement of a material fact contained in any Registration Statement under which the sale of such Registrable securities was registered under the securities Act／， any preliminary prospectus，final prospectus or summary prospectus contained in the Registration Statement，or any amendment or supplement to the Registration statement，or arise out of or are based upon any omission or the alleged
emission to state a material fact required to be stated therein or necessary to make the statement therein not misleading，if the statement or omis in reliance upon and in conformity with information furnished in writing to the Gempany by such selling holder expressly for use therein，and shall reimburse共五y legal or with investigation or defending any such loss，claim，damage liability of action．Each selling holder＇s indemmification obligations hereunder shatl be several and not joint and shall be limited to the amount of any net proceeds actually received by such selling holder．

4．3 conduct of Indemnification proceedings．Promptly after receipt by in respect of which indemnity person（the＂Indemmified Party＂）shall，if a claim in respect thereof is to be made against any other person for indemnification hereunder，notify such other person（the Indemnifying．party－）in writing of the loss，claim，judgmentr， damage，liability or action；provided，however，that the failure by the Indemnified Party to notify the Indemnifying Party shall not relieve the Indemnifying Party from any liability which the Indemnifying Party may have to such Indemnified party hereunder，except and solely to the extent the Indemnifying party is actually prejudiced by such failure．If the Indemnified party is seeking indemnification with respect to any claim or action brought against the
counsel (but no more than one such separate counsel) to represent the
Indemnified Party and its controlling persons who may be subject to liability rising out of any claim in respect of which indemnity may be sought by the ndemnified Party against the Indemnifying Party, with tased upon the urites of whe counsel to be paid by such Indemnifying Party if based upon the written opinion of counsel of such Indemmified party, representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. No Indemmifying party shail, without the prior written onsent of the In ettlement of any claim or pending or threatened proceeding in respect of which the Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such judgment of settlement includes an unconditional release of steh Indemnified party from all liability arising out of such claim or proceding.
4.4.1. If the indemification provided for in the -
 shall contribute to the amount paid or payable by such Indemnified party as a result of such loss, claim, damage, liability or action in such proportion as is appropriate to reflect the relative fault of the Indemmified parties and the memnifying parties in connection with the actions or omissions which resulted in such loss, claim, damage, liability or action, as well as any other relevant aquitable considerations. The relative fault of any Indemnified party and any Indemnifying Party shall be determined by reference to, among other things hether the untrue or alleged untrue statement of a material fact or the mission or alleged omission to state a material fact relates to information supplied by such Indemnified Party or such Indemnifying Party and the parties, relative intent, knowledge, access to information and opportumity to correct or prevent such statement or omission.
4.4.2. The parties hereto agree that it would not be
just and equitable if contribution pursuant to this section 4.4 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding section 4.4.1. The amount paid or payable by an Indemmified party as a result of any loss, claim, damage, liability or action referred to in the immediately preceding_paragraph shall be deemed to include, subject to the limitations set erth above, any legul or other exienses incurred by such Indemmified party in connection with investigating or derending any stuch action or claim.
Notwithstanding the provisions of this section 4.4, no hoider of Registrable securities shall be required to contribute any amount in excess of the dolla amount 12
of the net proceeds (after payment of any underwriting fees, discounts, commissions or taxes) actually received by such holder from the sale of Registrable securities which gave rise to such contribution obligation. No person guilty of fraudulent misrepresentation (within the meaning of section 11(f) of the securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

\section*{5. UNOERWRITING ANQ DISTRIBUTION.}

\subsection*{5.1 Rule 144. The Comprany covenants that it shall file any reports} required to be filed by it under the securities Act and the Exchange Act and shall take such further action as the holders of Registrable securities may reasonably request, all to the extent required from time to time to enable such holders to sell Registrable securities without registration under the securities Act within the limitation of the exemptions provided by Rule 144 under the securities Act, as such Rules may be amended from time to time, or any similar Rule or regulation hereafter adopted by the Commission.

\section*{6. MISGELLANEOUS.}
6.1 Other Registration Rights. The company represents and warrants that An person, other than a holder of the Registrable securities, has any right to sale or to include shares of the company's capital stock in any registration filed by the company for the sale of shares of capital stock for its own aceum or for the account of any other person.
6.2 Assignment; No Third Party Beneficiaries. This Agreement and the fights, duties and obligations of the company hereunder may not be assigned or delegated by the company in whole or in part. This Agreement and the rights/duties and obligations of the holders of Registrable securities hereunder may be freely assigned or delegated by such holder of Registrable Securities in eonjunction with and to the exten on any transfer or Registrable securities by, any such holder. This Agreement and the provisions heroof shall be binding upon and shall inure to the benefit of each of the parties and their respective successors and the permitted assigns of the Investor or holder of Registrable securities or of any assignee of the Investor or holder of Registrable securities. This Agreement is not intended to confer any rights or benefits on any persons that are not party hereto other than as expressly set forth in Article 4 and this section 6.2.
6.3 Notices. All notices, demands, requests, consents, approvals or other communications (collectively, "Notices") required or permitted to be given hereunder or which are given with respect to this Agreement shatl be in writing and shall be persomally served, delivered by reputable air courier service with eharges prepaid, or transmitted by hand delivery, telegram, telex or facsimile, addressed as set forth below, or to such other address as such party shall have specified most recently by written notice. Notice shall be deemed given on the dar telex or facsimile; provided, that if such service or transmission is not on a bula given on the next business day. Notice otherwise sent as provided herein shall be deemed given on the next business day following timely delivery of such notice to a reputable air courier service with an order for next day delivery.
With a copy to:


\footnotetext{
6.4 severability. This Agreement shat be deemed severable, and the
} the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.
6.5 Counterparts. This Agreement may be executed in multiple
counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument.
6.6 Entire Agreement. This Agreement (including all agreements entered into pursuant hereto and all certificates and instruments delivered pursuant hereto and thereto) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede all prior and contemporaneous agrements, representations, understandings, negotiations and discussions between the parties, whether oral or written.
6.7 Modifications and Amendments. No amendment, modification of of this Agreoment shall be binding upon any party unless exocuted in - such party.
6.8 Iitles and Headings. Titles and headings of sections of this feement are for convenience only and shall not affect the construction of any provision of this Agreement.
G.9 wavers and Extensions. Any-party to this Agreement may waive and in breach or default which such party has the right to waive, provided en riting, is signed by such party, and specifically refers to this Agreement, Waivers may be made in advance or after the right waived has arisen or the breach or default waived has occurred. Any waiver may be conditional. No waiver of any breach of any agrecment or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof nor of any other agreement or provision herein contained. No waiver or extension of time for performance of any obligations or acts shall be deemed a waiver or extension of the time for performance of any other obligations or acts:
6.10 Remedies Cumulative. In the event that the company fails to
observe or perform any covenant or agreement to be observed or performed under this Agreement, the Investor or any other holder of Registrable securities may proced to protect and enforce its rights by suit in equity or action at law/ whether for specific performance of any term contained in this Agreement or for an injumction against the breach of any such term or in aid of the exercise of any pow granted in this Agreement or to enforce any other legal or equitable right, or to take any one or more of such actions, without being required to post a bond. None of the rights, powers or remedies conferred under this Agreement shall be mutualyy exciusive, and each such right, por or remed shall be cummlative and in addition to any other right, power or remedy, whether conferred by this Agrecment or now or hercafter available at law, in equity, by statute or otherwise.

IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be executed and delivered by their duly authorized representatives as of the date first written above.


Angeliki Frangou

Vasiliki Papaefthymiou

Spyridon Magoulas
\(\qquad\)
Julian David Brynteson

John Stratakis

\section*{GONSENT OF NDEPENDENT REGISTERED PUBLIG AGCOUNTING FIRM}

We hereby consent to the use in this Rergistration Statement of Pre Effective Amemdment No. 20 m Fomm F 1/A our reperts dated Mareh 22, 2006 relatimg to the finameial statements of Navios Maritime Holdimgs Ine, which appear in surh Registration' Statement. We also consent to the reference to us under the heading "Experts" and "Selected FinnanciallData" in such Registration Statement
ts/ PricewaterhouseCoopers S.A.
PricewaterhouseCoopers S.A.Piraeus, Greece

Aprill 5,2006

Drewry



Navios Maritime Holdings Inc. 85 Alti Miaouli Street Piraeus Greece 18538

\section*{31 March, 2006}

Dear Sir/Madam
Reference is made to he Form P \(1 /\) A registration statement (the "Registration Statement") relatins to the prospectur fis Navios Maritime Holdings Inc. (the "Company") being filed in connection with the potential isstrance of shares of common stock underlying the Company's publicly traded warrants. We hereby consent to all references to our name in the Registration Statement and the of the statistical information suphliedby us set forth in sections of the Registration Statement entitled "The International Dry Bulk Shipping Industry". We further advise the Company that our role has been limited to the provision of such statistical data supplied by us. With respect to such statistical data, we advise you that:
 reliability of the data stipporting the statistical and graphical information presented, and:
\(\geq \quad\) Our methodologies for collecting information and data may differ from those of other sources and do not reflect allor even necessarily a comprehensive set of actultrinsactions oceuring in the dry belk shippins industryy.

We hereby consent to the filing of this letter as an exhibit to the Resistration Statement of the Company on Form F 1/A to be filed with the U.S. Securities and Exchange-Commission purfunt to the Securities Act of 1933 , as amended, and to the reference to ourr firm in the section of the Registration Statement titled "Experts".
Yours faithfully
ts/Nigel Gardiner
Nigel Gardiner Managing Director Drewry Shipping Consultants Ltd.








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\section*{To the Board of Directors}

Navios Maritime Holdings Ine
We hereby consent the ise in this effective Amendmen No. 2to the Reristration Stutementon Fom F4 of our repert dated Jammary 17, 2005 , on the financial statements of International Shipping Enterprises, Inc. as of December 31, 2004 and for the eriod from Sepember 17, 2004 (date ineepien) December 31, 2004, whieh appears in suthPeristrationStatement

Is/GOLDSTEIN GOLUB KESSLER LLP
GOLDSTEINGOLUB KESSLER LLP
New York, New York
April 3,2006
\begin{tabular}{|c|c|}
\hline MINTZ LEVIN & Chrysler Center \\
\hline & 666 Third Avenue \\
\hline & New York, NY 10017 \\
\hline & \(212-335-3009\) \\
\hline FODD E. MASON | 2126926731 | tmason@mintz.com & 212-983-3115 fax \\
\hline
\end{tabular}

\section*{VIA EDGAR AND FEDEX}

Linda Curkel, Branch Chief
Pivision of Corporation Finance
securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

\author{
\title{
RE: NAVIOS MARITIME HOLOINGS ING.
} \\ REGISTRATION STATEMENT ON FORM \(\Gamma 1\), AMENDMENT NO. 2 \\ FILED NOVEMBER 2, 2005
}

FILE NO. \(333 \quad 129382\)

\section*{Dear Ms. Cvrkel:}

On behalf of Navios Maritime Holdings Inc. (the "Company"), we respond as follows to the Staff's legal comments dated December 22 , 2005 relating to the above-captioned Registration Statement. Captions and page references herein eorrespond to those set forth in Amendment No. 2 to the Registration Statement/the enclosed copy of which has been marked with the changes from the Amendment No. 1 filing, however, please note, as discussed with the Staff, as a result of the passage of time and updated financial and related information, most of the pages contain changed langurge. Please note that for the staff's convenience, we have recited each of the staff's comments and provided our response to each comment immediately thereafter.

\author{
Pescription of securities, page 89
}

1. Your response to our prior comment 29 indicates that oxhibit 10.8 was filed as an exhibit. Please file this exhibit in Edgar with your next amendment. WE HAVE FILED EXHIBIT 10.8 IN ACCORDANCE WITH THE STAFF'S REQUEST.

Summary Consolidated Financial Data, Page-4
selected Consolidated Financial Data, Page 20
2. Revise to label the financial information presented for all periods prior to the August 25,2005-merger transaction as that of the "predecessor" entity.

\section*{MINTZ, LEVIN, COHN, FERRIS, GLOVSKY ANO POPEO, P.G.}
tinda-Gvrkel, Branch Chief
securities and Exchange Commission
April 5, 2006
Page 2

\section*{WE HAVE REVISED THE TEXT IN AGCORDANGE WITH THE STAFF'S REQUEST.}
3. The basic and diluted earnings per share information presented for the
"predecessor entity appears to be in erfor as it is based on the accounting Zacquirer's outstanding common shares. Please revise the predecessof entity's carnings per share computations so that they are based on thelpredecessor entity's outstanding shares rather than the accounting. acquirers. Also, pro forma earnings per share information, giving effect to the acquisition transaction, should be presented only for the latest fiscal =year and subsequent interim period presented. The "Income" (loss) per -Commen share for successor, pro forma for predecessor, and the "Book value ㄹ per common share" information included in the "0ther'rinancial Data" for =-all historical periods should also be similarly revised or deleted.

RAVI RAO FROM PRIGEWATERHOUSEGOOPERS DISGUSSED THE GALGULATION OF EARNINGS PER SHARE VIA TELEPHONE WITH HEATHER TRESS, STAFF AGCOUNTANT ON JANUARY 4 2006. THE COMPANY HAS SINCE RECONSIDERED THE CALCULATION OF BASIC ANB DILUTED EARNINGS PER SHARE FOR THE PREDECESSOR ENTITY AND, IN RESPONSE TO OME STAF S COMENI, WE HAVE REVISED THE GALOULATION- OR ME PREDEGESSOR PERIODS BASED ON THE PREDEGESSOR'S OUTSTANDING SHARES RATHER THAN THE OUTSTANDING SHARES OF THE SUCCESSOR. THE PRO FORMA EARNINGS PER SHARE ANQ BOOK VALUE PER SHARE AMOUNTS HAVE BEEN REVISED AS PER THE STAFF'S REQUEST.

For the combined nine month period ended september 30,2005
compared to the nine months ended September 30, 2004, Page 36

\section*{pepreciation and Amortization, page-38}

Net Interest Expense, Page 38
4. Revise to quantify the expected annual impact that the increased depreciation and amortization expense and increased interest expense resulting from the merger transaction will have on the company's future results of operations.

THE PROSPEGTUS HAS BEEN UPDATED AND NOW INGLUUES AN OPERATING AND FINANGIAL R REVIEW AND PROSPEGTS FOR GALENDAR 2OO5. WE HAVE ADOED DISCLOSURE OF THE ITAGREASED DEPREGIATION ANB AMORTIZATION EXPENSE ASSOGIATED WITH THE MERGER TRANSAGTION IN ACCORDANCE WITH THE STAFF'S REOUEST. WE HAVE ALSO ADOED DISGLOSURE ASSOGIATED WITH THE ESTIMATED INHGREASE IN ANANAL INTERESI EXPENSE ASSOGIATED WITH THE AGQUISITION OF NAVIOS BY ISE.

Dividend Policy, Page 49

\section*{Page 3}
5. Revise to disclose the aggregate dollar amount of the dividend that the Company expects to declare in respect to the fourth quarter of 2005 .
WE HAVE REVISED THE TEXT IN AGGOROANGE WITH THE STAFF'S REQUEST.

Unaudited Pro Forma consolidated Statement of Operations

\section*{Aine months ended september 30,2005 , page 78}

Year ended December 31, 2004, page 79
6. Please revise to reflect the pre and post-merger results of operations of Navios in separate columms in the pro forma statement of operations. The amounts reflected in each column should be labeled as those of the "predecessor and successor entities and should agree to the amounts reflected in Navios' interim financial statements included on page F-4.

THE PRO FQRMA STATEMENT OF OPERATIONS HAS BEEN UPDATED TO INGLUDE RESULTS FOR ALL OF 2005. IN ACCORDANCE WITH THE STAFF'S REQUESI, THE PRE AND POST MERGER RESULTS HAVE BEEN SPLIT AND LABELED. THE 2004 PRO FORMA STATEMENT OF OPERATIONS HAS BEEN REMOVED AS IT IS NO LONGER REQUIRED.
7. Refer to footnote (e) Based upon the disclosures provided in footnote (e) 7. we are unable to determine how the pro forma adjustments to depreciation and amortization expense for both the year ended December 31 , 2004 and the Inine months ended september 30, 2004 were calculated or determined. Please = provide further explanation in footnote (e) explaining how these
=-adjustments wre calculated or determined. A chart showing the amount of I adjustments were calculated or determined. A chart showing the amount of be included as part of your revised disclosure.
FOOTNOTE ( Q ) TO THE PRO FORMA 2005 STATEMENT OF OPERATIONS HAS BEEN EXPANOED TO PROVIDE THE DISGLOSURES REQUESTED BY THE STAFF.
8. Refer to footnote ( \(\ddagger\) ) We are umable to determine how your pro forma adjustments to interest expense for the year ended December 31 , 2004 and the nine menths ended september 30 , 2005 were calculated or determined. Please revise to disclose both the amount of the adjustment associated with the new debt obtained to fund the merger and the debt of Navios that was repaid. Also, disclose the significant assumptions (i.e.i interest rate and balance of debt) used to calculate the adjustments associated with both the Cobt obtained to fund the merger and the debt repaid.

FOOTNOTE (E) TO THE PRO FORMA 2005 STATEMENT OF OPERATIONS HAS BEEN EXPANDED TO PROVIDE THE DISCLOSURES REQUESTED BY THE STAFF.

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.
tinda Grrkel, Branch Chief
Securities and Exchange Commission
April 5, 2006

\section*{Page-4}
9. Your pro forma basic and diluted earnings per share for the nine months

September 30,2005 appear to be in error based on the basic and diluted
Weighted average number of shares disclosed on page 78. It appears these amounts should be \(\$ .69\) and \(\$ .56\), respectively. Please advise or revise as appropriate.
THE ERS GALCULATIONS FOR THE PRO FORMA 2005 STATEMENT OF OPERATIONS HAVE BEEN REVISED IN AGCORDANGE WITH THE STAFF'S REQUEST.

\section*{Qther}
10. Explain in notes to the pro forma financial information why adjustments for the tax affects of the pro forma adjustments have not been provided.

FOOTNOTE (I) HAS BEEN ADDED TO THE PRO FORMA 2005 STATEMENT OF OPERATIONS TO PROVIDE THE TAX DISCLOSURES REQUESTED BY THE STAFF.

Navios Maritime Holdings Inc. Interim Financial Statements
Consolidated Statements of Operations, page F-4
Alote 10: Earnings_per share, Page F 19
11. The basic and diluted earnings per share presented for the predecessof
entity are incorrect as they are based on the outstanding shares of the
accounting acquirer, ISE, rather than on the predecessor entity's
outstanding common shares. Please revise the earnings per share amounts
—presented for all periods prior to the merger so that they are based on the
Outstanding common shares of the predecessor entity. The disclosures of
earnings per share and book value per share information for the predecessor
entity included in your Summary and Selected Financial Data on pages 6 and 20 should be similarly revised.
THE CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE FOR THE PREDECESSOR PERIOD HAS BEEN REVISED BASED ON THE PREDEGESSOR'S OUTSTANOING SHARES RATHER THAN THE SUGGESSOR'S IN AGCORDANCE WITH THE STAFF'S REQUEST.

> Gonsolidated Statements of Cash Flow, Page F-5
12. Please explain why the cash purchase price for Navios and the related borrowings obtained to fund the merger are not reflected as cash flows from I- investing and financing activities respectively in the consolidated
Statement of cash flows for the successor entity. Alsopplease explain the nature of the line item described as "cash received in downstream merger" that is reflected as a financing activity in the consolidated statement of = cash flows for the successor entity.

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY ANO POPEO, P.C.
Linda Curkel, Branch Chief
Securities and Exchange-Gommission
April 5-5 2006
Page 5
Page 5
\[
\text { MINTZ, LEVIN, }, \text { COHN, FERRIS }, \text { GLOVSKY AND POPEO, P.C. }
\]
tinda Gvrkel, Branch Chief
securities and Exchange Commission
April 5, 2006
Page-6
\(100 \%\) OF OLD COMPANY SHARES, AND (III) THE ISSUANCE OF \(39,900,000 \mathrm{NEW}\) COMPANY SHARES TO THE FORMER INDIRECT SHAREHOLDERS OF THE OLD COMPANY SHARES ON A PRO RATA BASIS (NOTE THAT \$412.0 MILLION) OF THE ISE DEBF ASSUMED IN THE DOWHSTREAM MERGER WAS ALREADY REFLECTED ON THE COMPANY'S BALANCE SHEET PURSUANT TO THE PUSHDOWN ACCOUNTING RULES). FROM THE
PERSPECTIVE OF THE COMPANY, ITEMS (II) AND (III) YIELD THE SAME NET RESULT AS A STOGK SPLIT. THE RECUT IS THE SAME AS IF THE COMPANY HAD FIRST ASSUMED THE GASH AND DEBT FROM ISE, FOLLOWED BY A STOCK SPLII, FOLLOWED-BY ISE'S REPURCHASE OF ALL OF ITS OUTSTANDING SHARES BY EXCHANGING THE NAVIOS SHARES. BY RESTATING THE HISTORIGAL NUMBER OF OUTSTANOING SHARES, THE
PER SHARE AMOUNTS FOR THOSE PERIODS WERE GALGHLATED ON THE BASIS OF THE
POST MERGER NUMBER OF SHARES (I.E. THE NUMBER OF SHARES WHIGH WILL BE
OUTSTANDING AT THE TIME OF THE OFFERING). THE COMPANY BELIEVED THAT THIS
PRESENTATION WAS CONSISTENT WITH THE SPIRIT AND INTENT OF ARB 43. AS IN
PARAGRAPH 11 OF ARB 43, THE NUMBER OF SHARES ISSUED WAS SO GREAT THAT II
HAD THE EFFECT OF MATERIALLY REDUCING THE SHARE MARKET VALUE, AND THUS HAD
THE NATURE OF A STOCK SPLIT. WE RESPECTFULLY ACKNOWLEDGE HOWEVER THAT THE
FORM OF THE TRANSAGTION WAS NOT A STOCK SPLIT OR DIVIDEND AS LITERALLY
PROVIOED FOR IN ARB 43. THEREFORE, IN RESPONSE TO THE STAFF'S COMMENT, THE
COMPANY HAS RECONSIDERED ITS ACCOUNTING FOR THE SHARES ISSUED IA
CONJUNGTION WITH THE MERGER. IN LINE WITH OUR RESPONSE TO THE STAFF'S COMAENT NO. 3 ABOVE, THE PREDEGESSOR HISTORIGAL SHARES WILL BE SHOWN FO ALL PERIODS PRIOR TO THE MERGER AND THE SUGGESSOR'S SHARES WILL BE SHOW FOR PERIODS SUBSEQUENT TO THE MERGER. THE FINANCIAL STATEMENTS HAVE BEEN REVISED AGCORDINGLY.

Note 2: Acquisition/Reincorporation, Page F. 7

14. We note that you have presented pro forma information in Note 2 on page F-10 giving effect to the acquisition of Navios and the related financing transactions as if they had occurred at the beginning of 2005. Please =- revise to also disclose pro forma results of operations for the comparable = periods of the prior year giving effect to these transactions as if they ב had occurred at the beginning of that period. See Rule 10-01(b)(4) of PRegulation \(S X\) and paragraph 58b-of SFAS No. 141.

THE PROSPEGTUS HAS BEEN UPDATED AND NOW INGLUDES FINANGIAL STATEMENTS FOR CALENDAR YEAR 2005. THE PRO FORMA INFORMATION, WHICH IS NOW INCLUDED IN FOOTNOTE 3/ INGLUDES COMPARATIVE 2OO4 INFORMATION.

Navios Maritime Holdings Inc. December 31, 2004 Financial Statements Consolidated Statements of Operations, Page F-24
15. Please revise to disclose the Company's historical earnings per share for 15. all periods presented.

\section*{MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND-POPEO, P.C.}
tinda Cvrkel, Branch Chief
Securities and Exchange Commission
April 5/2006
page 7

\title{
16. We note your response to our prior comment number 35. Please rovise Note 2
} to include a stament indicating that the impact of not recognizing voyage - expenses as incurred was not material to the company's financial statements for any of the periods presented. This disclosure should also be provided in the notes to the company's interim financial statements.

THE PROSPEGTUS HAS BEEN UPOATED ANO NOW INGLUOES FINANGIAL STATEMENTS FOR CALENDAR YEAR 2OO5. NOTE 2 (I) INCLUDES THE DISCLOSURES REQUESTED.

\section*{Hot 16: Commitments and contingoncies, Page- 51}
17. Please revise note 16 to your financial statements to disclose the amount of yur potential exposure to loss resulting frompending litigation and the amount of the related accruals that have been established. If no estimate of the exposure to loss can be made, please include a statement to that effect in the notes to your financial statements. Refer to the requirements of paragraps 9 and 10 Of SFAS No. 5.

THE PROSPEGTUS HAS BEEN UPDATED ANO NOW INGUUES FINANGIAL STATEMENTS FOR GALENDAR YEAR 2OO5. THERE WAS NO PENDING LITIGATION AT THE END OF EITHER 2005 OR 2004. THERE WERE NO ARBITRATION CLAIMS AT THE END OF 2005 AND THRE MINOR CLAIMS OUTSTANDING (LESS THAN 1\% OF ASSETS) AT THE END OF 2004 WERE SETILED DURING 2OO5. SPECIFIC DISCLOSURE OF AMOUNTS HAS BEEN OMITTED ON THE BASIS OF MATERIALITY. PLEASE SEE FOOTNOTE 15.

International Shipping Enterprises Inc.

\section*{Balance Sheet, Page F 56}
18. Please revise to eliminate the paragraph preceding the balance shee presented on page F 56.

WE HAVE REVISED THE TEXT IN AGCORDANGE WITH THE STAFF'S REQUEST.

\section*{MINTZ, LEVIN, COHN, FERRIS/,GLOVSKY AND-POPEO/, P.G.}
tinda Cvrkel, Branch Chief
securities and Exchange commission
April 5, 2006
Page-8

WE ACKNOWLEDGE THE STAFF'S COMMENTS AND WILL PROVIDE THE PREVIOUSLY REQUESTED AGKNOWLEDGEMENTS AT SUCH TIME AS WE REQUEST AGCELERATION OF THE EFFEGTIVE DATE OF THE PENOING REGISTRATION STATEMENT
\begin{tabular}{lr}
\hline \hline & SincereIy \\
\hline \hline /s/Todd E. Mason \\
\hline \hline
\end{tabular}

E: Angeliki Frangou, Chief Executive Officef
Navios Maritime Holdings, Inc.
Heather Tress, Staff Accountant
Securities and Exchange Commission
H. Christopher Owings, Assistant Director

Securities and Exchange Commission

Securities and Exchange Commission```


[^0]:    Table of Contents

[^1]:    (i) This amount identifies the balance of the drawdown amount of the $\$ 541.0$ million senior secured credit facility which was drawn to December 31,2005 less principal payments. Approximately $\$ 412.0$ million was used in connection with the acquisition of Navios, $\$ 105.9$ million for the purchase of vessels and the balance added to general cash balances. The amount identified does not include interest cost associated with the senior secured credit facility which are based on LIBOR or applicable interest rate swap rates, plus the costs of
    complying with any applicable regulatory requirements and a margin ranging from $1.5 \%$ to $2.75 \%$ per annum.
    (ii) As further discussed in the following paragraph, Exercise of Vessel Purchase Options, Navios has given notice of its intention to purchase total; (ii) $\$ 120.0,1-3$ years; (iii) $\$ 82.8,3-5$ years and (iv) $\$ 98.4$, more than 5 years. Approximately $\$ 115$ million in new debt will be required to finance the acquisition of these six vessels. Further, $\$ 80.3$ million of the acquisition cost of the four Panamax vessels is covered by new debt.

[^2]:    "CHARTERED SHIP" means each of the motor vessels listed in schedule 2 (The Ships) indrated as a chartered ship in the relevant column opposite such Chartered shiphe name and any other men vessen taken on chan wher wher , as charterer from time to time, in cach case for so long as such motor vessel is not an owned Ship, and "CHARTERED SHIPS" means any or all of them.
    "CHARTERS AND COAS REPORT" means, collectively, the reports in the agreed form prepared by Holman, Fenwick \& Willlan dated 5 July 2005 and 20 Decembe 2005 and by Burke and Parsons dated 21 February 2005, 16 March 2005 and 19 December 2005 all of which are addressed to, and/or capable of being relied upon by, the Arranger and the other secured Parties. "GLASSIFIGATION" means, in relation to each owned ship, the highest class of such ship whether for the purposes of the relevant Transaction Security Documents (if any) or otherwise.
    "CLASSIFICATION SOCIETY" means Lloyds Register of Shipping or such other classification society being a member of the International Association of Classification societies (or any successor organisation) which the Agent Eshall, at the request of a member of the Group, have agreed in writing shall be treated as the Classification society in relation to the Ship Owned by such member whether for the purposes of the relevant Transaction Security Documents (if any) or otherwise.
    "CLOSING DATE" means 25 August 2005, being the date on which completion occurred.

    ## "CNSA" means Corporacion Navios Sociedad Anonima of Zona Franca Nueva

    palmira, Parana $s / n$, Nueva Palmira, 70101, Departamento de Colonia, Urugway."CNSA ACCOUNT" means each of:
    (a) the dollar account in the name of CNSA held with Banco de la Republice Oriental del Uruguay in Uruguay.
    (b) the peso recount in the name of CNSA held with Citibank in Uruguaki
    (c) the peso account in the name of CNSA held with C.O.F.A.C. in Uruguay;-
    (1d) the dollar account in the name of CNSA held with the Agent in London/
    or such other account or accounts as the security Agent may agree and "CNSA

[^3]:    to the extent not cancelled, reduced or transferred by it under this

[^4]:    "MORTGAGE" means, in relation to cach collateral ship, the first preferred mortgage of such collateral Ship, in the agreed form, executed or (as the context may require) to be executed by the relevant collateral owner in favour of the security Agent or (as the case may be) the secured Parties and "MORTGAGES" means any or all of them.

[^5]:    "TRANSACTION SECURITY DOCUMENTS" means each of the documents insted as

[^6]:    (-(e) the "EQUIVALENT" of an amount specified in a particular curroncy (the "SPEGIFIED GURRENGY AMOUNT") shall be construed as a reference to the amount of the other relevant currency which can be purchased with the specified currency amount in the London foreign exchange market at or about 11 a .m. On the date the calculation falls to be made for spot delivery, as conclusively determined by the Agent;
    ( $\ddagger$ ) (or to any provision of) a "FINANCE DOCUMENT" or a "TRANSAGTIOA DOCUMENT" or any other agrecment or instrument is a reference to that Finance document or other agreement or instrument as in force for the time being and as from time to time amended, restated, supplemented or novated (however fundamentally including by any increase in amounts owing or available to be utilised under such document or any change to the parties thereto) and (where such consent is, by the terms of this Agreement of the relevant document, required to be obtained as a condition to such amendment being permitted) with the prior written consent of the Agent and/or any other Finance Parties;
    (-.g.) "GUARANTEE" means any-guarantee, letter of credit, bond, indemnity of similar assurance against loss including a third party security arrangement, or any obligation, direct or indirect, actual or
    contingent, to purchase or assume any indebtedness of any person or to
    make an investment in or loan to any person or to purchase assets of any person where, in each case, such obligation is assumed in order maintain or assist the ability of such person to meet its indebtedness;
    (h) "INCLUOING" means including without limitation;
    (i) "INOEBTEDNESS" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent:
    (.(.j) "MONTH" means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:
    (i) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day, and

[^7]:    (.).g.) for Facility G3, an amount equal to the lower of (i) US\$24, 451, 000 and (ii) the amount in dollars which is equal to $68 \%$ of the market value of the Additional Collateral Ship relevant to Facility c3 (as determined by the valuation of such Ship obtained pursuant to 4.1 (Initial Conditions Precedont) and Part II of schedule - 3 (Conditions Precedent).) and (iii) the Available Facility for Facility C3; OF
    (h) for Facility 64 , an amount equal to the lower of (i) Us\$22, 100,000 and (ii) the amount in dollars which is equal to $68 \%$ of the market value of the Additional Collateral Ship relevant to Facility C4 (as determined by the valuation of such ship obtained pursuant to clause 4.1 (Initial Conditions Precedent) and Part II of Schedule 3 (Conditions Precedent)) and (iii) the Available-Facility for Facility C4; OF

[^8]:    50


    #### Abstract

    6.1.5 In the event that exause 2.1 .2 (The-racilities) applies and the amount of the Total Facility A Commitments, the Total Facility B1 Commitments, the Total Facility B2 Commitments and the Total Facility B3 Commitments are reduced as provided therein, the Repayment Instalments of each of Facility A, facility B1, facility B2 and Facility B3 falling due on the first Reparment Dates for each such Facility (as shown in the relevant tab fo each such Facility in this clause 6.1 (Repayment of Loans)) shall be immodirly from that dov the firs Reparment Instalment due under each cuch Facility shall be that specific to be due on the in the same table). 6.1.6 In the event that any of Facility 61 , Facility 62 , Facility G3, Facility

    C4, Facility C5, Facility D1, Facility D2, Facility D3 or Facility D4 has not been utilised by 30 March 2006, the Repayment Instalment of the relevant facility due on the first Repayment Date thereof (as shown in the relevant table for such Facility in thic clause 6.1 (Repayment of Loans)Shall be no longer due on such first Repayment Date. Assuming that the relevant facility is subsequently utilised pursuant to the terms of this Agreement, such Repayment Instalment shall be added proportionately to, and shall be due and payable with, each of the Repayment Instalments of such Facility due on the second, third and fourth Repayment Dates for such Facility- as shoun In the same tabse) and the amounts of such Repaymen Instaments shall be Increused accordingIy. In the event that this clause applies, each portion or the reievant ifst repayment Instaiment of such Facility added to the relevant second, third and fourth Repayment Instalments of such Facility, respectively, shall thereafter be deemed to constitute part of the relevant second, third and fourth Repayment Instalments of such facility, respectively. 6.1 .7 In the event that Facility 66 has not been utilised by 30 March 2006, the 6.1.7 Reparment Instalment of racility dere on the first Repayment pate therea ( (as shown in the table of clause 6.1.3 (Repayment of Loans)) shall be ne - longer due on such first Reparment Date. Assuming that Facility " subsequenty utilised pursuant to the terms of this Agreement, such first Ras such final Repayment Instalment shall be increased accordingly. In the event that this clause applies, the amount of the first Repayment Instalment of Facility CG added to the final Repayment Instalment of Facility C6 shall thereafter be deemed to constitute part of the final Repayment Instalment of Facility 66.


[^9]:    7.1.3 the Borrower shall repay that Lender's participation in the Loans on the last day of the Interest Period for each Loan occurring after the Agent has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Agent (being no earlier than the last day of

[^10]:    11.1 .8 on or at any time after the making of a declaration under clause 24.29 =(Acceleration) $\frac{\text { notwithstanding the previous provisions in this clause 11/, }}{\text { the Agent shall be entitled, to the exclusion of the Borrower to select }}$ =the Agent shall be entitled, to the exclusion of the Borrower, to select the duration of Interest Periods.

[^11]:    since the date of the Accountant's Report and the Original Financial Statements nor since the Closing Date.

    ### 20.13.4 The original Financial statements do not consolidate the results, assets or liabilities of any person or business which does not form part of the

    Target Group.[^12]:    but excluding, in respect of such Borrowings, agency and arrangement fees

[^13]:    as interest in kind (and not as cash pay) to the extent capitalised as principal during such period; and

