

CCB's SHIP FINANCING BASIC SECURITY REQUIREMENTS

- We will require first priority mortgages over each vessel.
- * We will require that all earnings for the vessels are paid directly to the Borrower's Account with the Investor's/Lender's Bank.
- * We will require a direct assignment of the time charters the vessels will be entered Into.
- * We will also require an assignment of the vessels insurances, requisition compensation and insurances. We will not, however, wish to be mentioned on the insurances as a joint assured, as this can lead to potential liability for the bank should there be non-payment for example, so instead we would just look for an assignment.
- * We will require a charge over the operating account for each vessel. This does not mean the Investor/Lender is the co-owner of the account, but instead Means that should the borrower in anyway default under any of the finance documents, then the Investor/Lender will have the right of set-off
- * MII - Mortgagee Interest Insurance - is an insurance placed by the bank to cover Situations where for whatever reason the insurances proceeds fail to meet the Bank's outstanding exposure. This insurance will be placed by the bank, and the Cost of this will be re-imbursed by the borrower.
- * Minimum Security Covenant (probably 105%) - this clause will require that the value of the vessels is at all times not less than 105% of the outstanding loan amount (plus any breakage costs if any swap facilities are entered into). This does not mean that if the loan were \$100m then the obligation is \$105m, but Instead means that if the loan were \$100m, then the vessel would require to be Valued at a minimum of \$105m to avoid a default position.
- * Minimum liquidity covenant: - an agreed amount which must stand to the credit of The owners account at all times. A figure of US\$75k has been suggested per Vessel.
- * Monthly Mortgage Payments - On the basis we agree to quarterly loan installments, Then we would require that each month the bank would debit the operating Account with an amount equal to one third of the principal and interest due at the Next installment date and credit this to a retention account.