

## **Arrest of Vessels: Practical Considerations, by Robert Toney (National Maritime Services).**

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### **Introduction**

National Maritime Services and National Liquidators combine the experience of the global leader in the management of judicial and non-judicial foreclosure of vessels. National Maritime handles cases for entities exercising foreclosure on cargo ships, passenger vessels, containerized cargo and any other commercial shipping related products throughout the world. National Liquidators is known for its work related to the repossession and auction of pleasure vessels throughout the United States, Caribbean, Canada and Central America. National Maritime represents lien holders, lenders and their counsel, utilizing a full-service commercial vessel program for arrests, and the subsequent period of custody, on complicated matters throughout the world. The combined companies now manage over 3,000 cases annually and have handled over 24,000 cases since inception in 1988. National Maritime and National Liquidators hold multiple government contracts relating to the seizure, storage and sale of vessels which result from criminal or government forfeiture.

National Liquidators also operates *yachtauctions.com*, a leading and widely-respected vessel auction web site which receives millions of visits each month from visitors from around the world. Placement of boat, yacht and ship listings on this site is reserved exclusively for clients of National Liquidators. Further information on these corporate services can be accessed on the *natliquidators.com* or *vesselarrest.com* websites.

G. Robert Toney is President and owner of Toney Capital Holdings, the holding company that operates both National Liquidators and National Maritime Services, Inc. Other affiliated companies include Maritime Capital Group, a marine lending operation, MariTech Services Inc., a marine repair company, and National Yacht Sales, which specializes in yacht and ship brokerage. Bob has been President of the organization since 1991 and became the sole owner in 1993. Mr. Toney also holds an ownership interest in ST Liberty, LLC, which acquires high risk transactions secured by marine collateral, and Paradise Bank, a south Florida-based bank, where he serves as a Director.

### **When to foreclose a mortgage through arrest**

During good economic times, commercial ship lenders and other claimants don't hesitate to arrest vessels when a particular ship owner is in default. Under these circumstances, the general feeling is that one could easily foreclose a mortgage, in almost any jurisdiction in the world, await the court sale, and watch multiple bidders run up the price to a point that covered most claims and the associated costs of arrest. In recent years the shipping market has changed, a result of bleak global economic conditions; so too has the expectations associated with vessel arrests. Demand for ocean-going cargo and corresponding rates have plummeted, reducing the value of cargo ships and creating a glut of commercial vessels. Additionally, many new builds are scheduled to enter the market over the next few years. The reduced collateral values, when paired with the costs of custodianship and other charges incurred during the arrest period and subsequent sale, have forced budget-conscious lenders and other claimants to pause and consider their options prior to ordering a commercial ship arrest.

The primary concern becomes, will it cost more to arrest than what the sale of the ship will return, or are there other options that might make more economic sense? Is the claimant at risk that the arrested vessel will not sell to a third party at auction, and the claimant may end up owning the ship, expending additional resources that may exceed the proceeds that a future sale of the vessel will ultimately generate?<sup>1</sup>

Despite these concerns, financial institutions cannot sit back and watch their assets deteriorate while borrowers are not performing according to the terms of their loans. Inaction is a poor business practice for a financial institution/lender, as an action against the vessel is often the best, if not only potential avenue for recovery of the debt. Also, in today's regulatory environment, there is generally more pressure from regulators to write down non-performing loans, forcing institutions to react quickly.

Despite the previous contradictions, many vessel arrests are effectively managed, resulting in positive recoveries for lenders or other claimants. The important thing is to move cautiously and carefully, yet without unnecessary delay.

### **Issues to consider when evaluating a potential arrest**

***The amount of the claim (or mortgage).*** A key consideration for the claimant (or lender) is whether the amount of the outstanding claim (loan) makes an arrest economically feasible. The simple fact that a legal right exists doesn't necessarily mean that its exercise makes good business sense. Putting aside attorney fees and other expenses, the cost of holding a ship in an active port during the pendency of legal proceedings can be upwards of \$10,000 US daily. As a general rule, arrests of commercial vessels are not an economically-viable option if the outstanding claim are less than \$100,000 US.

***Ship mortgages and considering other recorded liens against the vessel.*** The holder of a preferred mortgage should order an updated Abstract of Title or Transcript of Registry to ensure that

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<sup>1</sup> Lenders should always request in their Motion for Final Judgment and Sale (and proposed order), the right to bid up to the amount of their judgment at the Marshal's sale of the vessel in lieu of cash. This right is usually not available to a lender who seeks an interlocutory – or prejudgment – sale, an option often considered when the arrest procedure or litigation drags on in time.

their interests are properly perfected and to identify other potential liens that may be recorded against the vessel's title. If there is another maritime lien against the vessel, consider the equity position of the claim in relation to the mortgage. (See discussion on claim rankings below.) The amount and relative priority of all liens must be considered in relation to the estimated liquidation value of the vessel, prior to initiating an arrest.

**Determine if other unrecorded liens are expected to be asserted.** Unlike liens against real property, maritime liens do not have to be recorded or filed to be enforceable. *United States v. ZP Chandon*, 889 F.2d 233 (9<sup>th</sup> Cir. 1989). Some maritime liens arise by operation of general maritime law, for example, upon the rendering of services to a vessel, while others are creatures of federal statute, such as the Maritime Lien Act, 46 U.S.C. §§ 31341-31343, or the Ship Mortgage Act, 46 U.S.C. §§ 31321-31330. Because of the unrecorded nature of liens, a review of the vessel's title document often does not give an accurate picture of the existing claims against a vessel, and more diligence is required. A vessel that has fallen on hard economic times usually leaves unpaid or disputed bills in its wake, many of which may constitute liens against the vessel.

For ships arrested in the United States, the following relative priority of competing claims can be used for guidance:

1. Expenses of justice. These are the claims associated with the administration of justice while the vessel is under arrest, or *custodia legis*. Such expenses include U.S. Marshal's fees, substitute custodian fees and other expenses necessary to preserve the ship while under arrest. See *The Poznan*, 274 U.S. 117 (1927); *Gen. Elec. Credit & Leasing Corp. v. Drill Ship Mission Exploration*, 668 F.2d 811 (5<sup>th</sup> Cir. 1982). Although not considered liens, as seizure terminates the owner's ability to contract for services, these expenses are granted top priority and are founded in the philosophy that the preservation of the vessel, while under arrest, inures to the benefit of all claimants.
2. Seaman's wage claims, maintenance and cure, including liens for wages of the master. *Thorsteinsson v. M/V Drangur*, 891 F.2d 1547 (11<sup>th</sup> Cir. 1990); *Chung, Yong IL v. Overseas Nav. Co., Ltd.*, 774 F.2d 1043, 1049 (11<sup>th</sup> Cir. 1985); *Fredelos v. Merritt-Chapman & Scott Corp.*, 447 F.2d 435, 437 (5<sup>th</sup> Cir. 1971).
3. Salvage and general average contribution. As between competing salvors, the most recent services provided to the vessel outrank earlier efforts. *Complaint of Ta Chi Nav. Corp., S.A.*, 583 F. Supp. 1322 (S.D.N.Y. 1984).
4. Maritime tort claims, including collision, personal injury, wrongful death, liability for cargo loss, and property damage caused by negligence. *Oriente Commercial, Inc. v. American Flag Vessel, M/V Floridian*, 529 F.2d 221 (4<sup>th</sup> Cir. 1975); *European-American Banking Corp. v. M/S Rosaria*, 486 F. Supp. 245 (S.D. Miss. 1978). See also *Fredelos*, 447 F.2d at 437.
5. Pre-mortgage contract claims for necessities such as services, fuel, dockage and supplies provided to the vessel, 46 U.S.C. §§31301(4), 31341 and 31342;

6. A valid preferred mortgage on a U.S. flag ship or a preferred mortgage on a foreign vessel whose mortgage has been guaranteed under Title XI of the Merchant Marine Act of 1936, 46 U.S.C. §§30101-31343.
7. Maritime contract claims, including claims by suppliers for necessities and repairs pursuant to the Maritime Lien Act.<sup>2</sup> *Fredelos*, 447 F.2d at 437; 46 U.S.C. §§ 31301(4), 31341, 31342.
8. A valid preferred mortgage on a foreign flag ship; 46 U.S.C. 31326(b)(2); *Sasportes v. M/V Sol de Copacabana*, 581 F.2d 1204 (5<sup>th</sup> Cir. 1978).
9. State-created liens of a maritime nature. *The Diane*, 45 F. Supp. 510 (S.D. Fla. 1942).
10. Maritime liens for penalties and forfeitures for violation of federal statutes.
11. Preferred non-maritime liens including tax liens and judgment liens.
12. Maritime liens in bankruptcy.

***Beware of crew claims.***

Maritime law provides that all doubts as to the application of the rules relating to the provision of maintenance and cure benefits should be resolved in favor of the seamen. (Vaughn, 369 U.S. 527; *Warren v. United States*, 340 U.S. 523 (1951)). There is a long history of showing concern and care for seamen. Justice Story articulated the basis for this policy in an 1832 opinion:

“The protection of seamen, who as a class are poor, friendless and improvident, from the hazards of illness and abandonment while ill in foreign ports; the inducement to masters and owners to protect the safety and health of seamen while in service; and maintenance of a merchant marine for the commercial service and maritime defense of the nation by inducing men to accept employment in an arduous and perilous service”.

Typically, when a crew wage claim is filed, this is a sign that there are other underlying financial issues with the ship owner or charter operator. Any party carrying a necessities claim or other lower ranking lien should carefully evaluate the value of the vessel and the cost to enforce before intervening. Depending on the jurisdiction, wage claims typically are ranked first and carry very aggressive penalty clauses and associated legal fees that can also rank in line with, or even ahead of, the ship's necessities.

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<sup>2</sup> It is important to note that many countries outside the United States do not recognize a maritime lien for necessities, a critical issue for consideration when determining whether to arrest a vessel in a foreign jurisdiction.

**The current location of the vessel and the corresponding jurisdiction's recognition of particular claims.** Determine the route the vessel is likely to travel and determine whether there are options to choose a "friendly" jurisdiction for the arrest. Even if considering arresting a vessel in the United States, be aware of the variances between judicial jurisdictions, as well as the local rules which apply. Determine whether the claim has the necessary recognition and rank in the jurisdiction where filing. For example, the existence of a lien for supplies or necessities depends on the law of the jurisdiction where the supplies or labor were furnished. *Banco de Crédito Indus., S.A. v. Tesorería General*, 990 F.2d 827 (5<sup>th</sup> Cir. 1993); *Lión de Mer S.A. v. M/V Loretta D*, 1998 WL 307077, 1998 AMC 1410 (D. Md. 1998); *Metron Communications, Inc. v. M/V Tropicana*, 1992 WL 532637, 1993 AMC 1264 (S.D. Fla. 1992). A choice of law or forum selection clause in the controlling agreement might well determine whether or not a lien claim will be valid. Explore future routes to determine if another upcoming port of call will provide more favorable standing. Don't forget to explore with local maritime counsel in the jurisdiction, the time frames normally operative in their courts from the time a vessel is arrested through sale, as time in an arrest case is the biggest cost variable.

**Determine the ultimate sales value of the vessel.** How much is the vessel worth in a forced-sale environment? Remember to consider the volatility of the market, as values are experiencing extreme market variations. There may be a substantial downward adjustment in value between the time of arrest and the time sale. It is possible that there will be no market for the vessel. The market has also experiences significant adjustments in scrap values, adversely affecting that option of last resort in many instances.

The issue of valuation is important not only in the beginning of the process – in making the initial determination of whether it makes sense to foreclose from a business perspective, but also at the end - when arriving at the amount of the judgment one will be bidding at auction, should the action proceed to judicial foreclosure.

The amount bid must withstand a potential challenge from the vessel owner or debt guarantor(s), at either the time of sale confirmation or when obtaining a deficiency judgment (loan P&I, costs, expenses and possibly fees minus the amount realized at the marshal's sale).

In response to vessel owners' motions to set aside such sales, based on a disparity between the winning bid and what they consider to be the market value of the vessel, courts have historically considered the price bid at a properly-conducted sale as the fair market value, and confirmed the Marshal's sale, unless there is evidence of fraud, collusion or gross inadequacy of price such that it "shocks the conscience." *Walter Heller and Co. v. O/S Sonny V*, 595 F.2d 968, 971 (5<sup>th</sup> Cir. 1979); *Bank of America v. PENGWIN*, 175 F.3d 1109 (9<sup>th</sup> Cir. 1999); *Wachovia Bank v. M/V SUNDOWNER*, 272 F. Supp. 2d 1322 (M.D. Fla. 2003). While vessel owners will often attempt to use the lender's prior market value survey in an effort to obtain a greater setoff against the balance of their indebtedness, the courts generally reject the validity of the survey for purposes of determining the vessel's value at sale. See *BFP v. Res. Trust Corp.*, 511 U.S. 531, 537-538 (1994) ("[M]arket value ... has no applicability in the forced-sale context; indeed it is the very *antithesis* of forced-sale value ... fair market value presumes market conditions that, by definition, simply do not obtain in the context of a forced sale.")



In arriving at an initial valuation determination, there are commonly three different values surveyors attribute to commercial vessels (this does not take into account “Replacement Value,” which is usually reserved for insurance purposes.)

1. **Market Value:** of a piece of property is generally defined by BLACK’S LAW DICTIONARY (6<sup>th</sup> ed. 1990) as “[t]he price which it might be expected to bring if offered for sale in a fair market; not the price which might be obtained on a sale at a public auction or a sale forced by the necessities of the owner, but such a price as would be fixed by negotiation and mutual agreement, after ample time to find a purchaser, as between a vendor who is willing (but not compelled) to sell and a purchaser who desire to buy but is not compelled to take the particular article or piece of property.” In the marine context, this assumes the vessel has a good sound hull, properly maintained and running machinery, and all parts of the vessel in good working order. This value also takes into consideration the business side of the vessel and how much she earns under normal day-to-day operations.

2. **Quick Sale Value:** The surveyor will establish a second value based on a sound hull, properly maintained and running machinery, and ensuring all parts of the vessel are in good working order. However, under this appraisal, the surveyor takes into account that the vessel must be sold in a more timely fashion; therefore, whether or not the vessel constitutes an ongoing business cannot be as much of a factor.

3. **Scrap Value:** This is the very lowest number used, considering the worst case scenario: the vessel does not run or the machinery is considered too old or too inefficient under current market conditions, and the cost of repairs outweighs any future potential return. If one reaches a conclusion that the costs of arrest will far exceed any potential return at the Marshal’s sale based on scrap value, one may want to consider whether and under what conditions one can seek recovery against the debtor or other collateral in the first instance, without having to arrest the vessel.

**Other issues for consideration:**

- Carefully evaluate technical default issues, particularly those defaults unrelated to past due payments or other financial terms. Some events for default can be cured or amended. This approach can often improve the borrower’s circumstances, possibly eliminating the need for arrest altogether. Alternatively, do not take lightly default on obligations that can indicate other underlying problems. Placing insurance coverage at risk, permitting other liens against the vessel or ANY adverse change in financial condition of the borrower should be carefully addressed and evaluated.
- Monitor all insurance coverage and changes in policy conditions. Keep in mind that in the event there are unpaid policy premiums, the insurer may, depending on applicable law, be entitled to a “necessaries” lien, which is superior to a mortgage lien if the policy is issued prior to the date the mortgage was recorded. *Equilease Corp. v. M/V Sampson*, 793 F.2d 598 (5<sup>th</sup> Cir. 1986); *Liverpool & London SS Protection & Indem. Ass’n Ltd. v. QUEEN OF LEMAN MV*, 296 F.3d 350 (5<sup>th</sup> Cir. 2002) (“[a]fter nearly 20 years, it is axiomatic that insurance is a ‘necessary’ under 46 U.S.C. §1342 and that unpaid insurance premiums give rise to a statutory maritime lien.”). Review the owner’s policy to determine whether and how the arrest action may affect coverage. Is it more efficient for the lender to obtain lay up status coverage on its

own, rather than expensive coverage through the P and I clubs? Utilization of the custodian's coverage should also be considered.

- Determine the value of the underlying business/holding corporation or shareholders compared with the value of the vessel. Evaluate the corporate structure of the owner. What are the strengths or challenges with the parent entity or its affiliates? Can one leverage inter-corporate and personal guarantees to structure an amicable workout arrangement?
- Cooperation of ship's owner. With the extreme fluctuation in shipping revenue rates, even the most sophisticated, well-intentioned and well-structured owners can experience financial setbacks. Some ship owners will offer creative, viable solutions to their current problems. Cooperative workout arrangements, with otherwise strong buyers, can often provide a better return than costly arrest.
- Research comparable revenue rates for similar vessels. Determine the significance of the owner's cash flow problem and make sure there are no other issues affecting the survival of the borrower. Re-assigning the assets to another fleet or owner may be a more profitable approach than an arrest and subsequent sale. If the vessel operates under a charter agreement, can it be restructured or continued under a new owner? These solutions will likely require the cooperation of the current borrower/owner.

## Alternatives to Arrest, Foreclosure and Prolonged Custody

**Non-Judicial self help.** In the United States, when the loan documents specifically provide for a self-help remedy, this action is an alternative to arrest, provided that the right is recognized by the state or jurisdiction in which the action is brought. In *Dietrich v. Key Bank, N.A.*, 72 F.3d 1509 (11<sup>th</sup> Cir. 1996), the court held that the parties to a ship's mortgage in Florida could agree to incorporate into their agreement, state self-help provisions. See also *In re 54 Foot Trawler Pegasus*, 2008 WL 4938345 (M.D. Fla. 2008). In all instances, if exercised, the self-help actions must not result in a breach of the peace, a standard that differs among jurisdictions. One negative aspect of self-help is that the private sale of the vessel through this process will not extinguish other valid maritime liens against the vessel, in essence converting the lender into a title insurer against future claims after the vessel is sold. The federal rules governing judicial approval of private sales can be found at 28 U.S.C. §2001(b). In addition, the right to a deficiency following a private sale will also be subject to applicable state law. Negotiations with numerous and/or unreasonable lien claimants could offset any savings in arrest costs. As a general rule, most non-US jurisdictions do not recognize a right of self-help repossession.

**Hire the crew.** Under the non-judicial scenario outlined above, the ideal solution would be for the claimant to hire the crew. Typically, when financial obligations are not being met, however, crew wages and benefits also are in arrears. Paying the crew now gives the lienholder/mortgage holder the crew's loyalty should any problems with the owner arise. Bear in mind that if they are owed past wages, the crew may have maritime liens against the vessel. To obtain a release of lien from the crew upon payment of their past-due wages, a financial obligation of the shipowner, one may want to consider taking assignment of the crew's liens thus providing one with the ability to recover these sums if the vessel is ever arrested. *Ryan-Walsh, Inc. v. M/V Margaret John*, 1996 AMC 504 (E.D. La. 1995).

## Initial Filing and Action

Once the decision is made to arrest, additional issues need to be considered. [Note that this section primarily focuses on a US based action.]

Determine the local rules and customs relating to utilization of a substitute custodian or keeper. In the US, most judicial districts require a custodian as a condition to issuing a warrant of arrest, as the Marshal will not act as custodian. This is important to know so one can arrange to hire a custodian beforehand, prepare the documents appointing the custodian properly, avoiding delays caused by submission of improper or incomplete paperwork.

Forms used for a U.S. arrest can be found in certain district court's local rules, or are available through the Maritime Law Association, Practice and Procedure Committee. Make sure that the forms being utilized are acceptable in the district of arrest. Local rules and arrest procedures can vary from district to district. If one's attorney is not admitted to practice in the applicable district, counsel will need to apply for admission, and most probably hire local counsel in the jurisdiction where the arrest is to occur, if different. It is advisable not to wait to get admitted until one is ready to arrest, as the court's approval to practice in the jurisdiction is often a pre-requisite to the lawyer's ability to file the complaint.



*Arrest Documents and Procedures.* A complaint in an “*in rem*” action, *ie.*, against the vessel, must be verified “on oath or solemn affirmation,” and must advise the court that the vessel is or will be in the district during the pending of the action, a requirement essential to the court’s exercise of subject matter jurisdiction over the vessel and action in admiralty. *Supplemental Admiralty Rule C(2)*; *Platoro Ltd. V. Unidentified Remains of a Vessel*, 508 F.2d 1113 (5<sup>th</sup> Cir. 1975).

The *in rem* prayer for relief, which is a component of the complaint, ostensibly asks the United States Marshal to arrest and take possession of the vessel. In practice, however, as previously mentioned, the Marshal normally will not serve the warrant unless a qualified substitute custodian – who stands in the shoes of the Marshal - has previously been appointed by the court to take possession and control of the vessel during the pendency of the litigation. See *Chantier Naval Voisin v. M/Y Daybreak*, 677 F. Supp. 1563 (S.D. Fla. 1988); *New River Yachting Center, Inc. v. M/V Little Eagle II*, 401 F. Supp. 132 (S.D. Fla. 1975).

The plaintiff(s)/claimant(s) will need to deposit with the Marshal a predetermined amount to cover the Marshal’s costs, as well as a release and agreement to indemnify the Marshal from liability and responsibility for the vessel while under the care of the substitute custodian. See *Donald D. Forsht Assoc., Inc. v. Transamerica ICS, Inc.*, 821 F.2d 1556 (11<sup>th</sup> Cir. 1987). One will need to confirm with the local rules of the jurisdiction, and verify with the Marshal, the amount of fees required to be deposited.

The Marshal posts a notice of the arrest on the vessel at the time the warrant is served. One is responsible for providing actual notice of the arrest, by providing a copy of the complaint to the vessel’s master, the owner, and all lien claimants of record, as well as publishing notice of the arrest in a publication acceptable to the courts in the particular jurisdiction. *Supplemental Admiralty Rule C(4)*; 46 U.S.C. §31325(d); *MacDougall’s Cape Cod Marine Serv. Inc. v. One Christiana 40’ Vessel*, 900 F.2d 408 (1<sup>st</sup> Cir. 1990).

Following an arrest<sup>3</sup>, admiralty procedures provide for the release of the vessel upon the posting of security into the court registry. The cash security, bond, or letter of undertaking is substituted for the vessel as *the res*, subject to the court’s jurisdiction. *Supplemental Admiralty Rule E(5)*. The moving party’s lien is then transferred to the substituted security, and the vessel is no longer subject to the jurisdiction of the court. *Gregory Boat Co. v. Vessel Big Beaut*, 938 F. Supp. 414 (E.D. Mich. 1996). The parties may either agree on the amount of the security to be posted, or if no agreement can be reached, the bond amount is set at the court’s discretion, if for an amount not liquidated. If the claim is liquidated, the amount of the bond will either be determined by the provisions of 28 U.S.C. § 2464 (the bond must be double the amount claimed by the plaintiff), or by provisions in the governing local rules, such as Local Admiralty rule E(8) of the Southern District of Florida (the bond must be equal to the amount of the claim plus interest at 6% per annum for 24 months after the complaint is filed).

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<sup>3</sup> *Supplemental Admiralty Rule E(4)(f)* sets forth the procedure by which any claimant may file a post-arrest motion asking for a prompt post-seizure hearing, which places the burden on the arresting party burden of proving its entitlement to a maritime lien and why the arrest should not be vacated. *Schiffahrtsgesellschaft Leonhardt & Co. v. A. Bottacchi S.A. de Navegacion*, 773 F.2d 1528 (11<sup>th</sup> Cir. 1985).

Once the vessel is arrested (provided it has not been released) one will continually need to assess certain circumstances regarding its care and custody. As an example, will the vessel need to be moved from its active berth? If so, permission from the court will be required to shift or operate the vessel. Although the claimant(s) may be paying the custodian (albeit with the expectation of reimbursement out of the sale proceeds), the custodian is appointed by the court, with the same duties and responsibilities as the United States Marshal.

Confirm that the custodian has the required insurance coverage as outlined by the US Marshal. 2001 AMC 2705. US courts typically require a minimal amount of liability coverage, when compared to the potential exposure of ship-related claims. National Maritime recommends that the liability limit equals no less than the value of the ship and should be much higher when crew remain involved in the arrest. Arresting parties should be careful not to allow a vessel to remain uninsured or underinsured and unnecessarily exposed to risk of loss and liability. Obtain court approval and place proper coverage immediately. If the vessel is to be shifted under its own power, confirm that the custodian has proper insurance to cover this activity too. Determine if the vessel is still covered under the P&I or port risk coverage that the owner placed before arrest. If not, consider the necessity of these additional coverages. Finally, take steps to ensure that the Certificate of Financial Responsibility (Pollution Certificate) for the vessel is in force.

When arresting a working vessel, passenger vessel or other vessel in trade, outline in the arrest order what to do with cargo, passenger transportation, and passenger property (luggage). Address any idiosyncrasies that may relate to the specific vessel. This helps the Marshal determine how he should handle the case, as well as clearly protects the claimant's interest in the vessel and/or appurtenances.

The plaintiff(s)/claimant(s), either on their own or through their respective attorney(s), will generally enter into a written agreement with the custodian to spell out any issues that are not covered in the court order. ***[See attached Exhibit 1-A, the contract with the plaintiff that National Maritime Services traditionally requires when arresting a commercial vessel.]*** Although the contract ensures payment for services, it also provides a mutual understanding of other issues, such as responsibility for insurance coverage, which should be discussed prior to the arrest.

### **Evaluation of the Crew upon Arrest**

Immediately upon taking possession of the arrested vessel, there are many items that must be evaluated within a relatively short period of time. One of the most important tasks is a proper evaluation of the crew and resolution of crew-related issues.

- Identify all of the crew members and their position/job description. Obtain the crew manifest and pay records as soon as possible, as these documents provide an immediate head count as well as the basis for preparing a budget for payroll costs.
- Determine the Master's attitude, intentions and loyalties. Is he likely to promote a problematic environment that is inappropriately sympathetic towards the owner of the arrested vessel? The likelihood of this risk can generally be determined in a very short period of time, based on the initial conversations and requests of the individual. Most ship officers are professional, loyal

men of the sea that work diligently and honestly for the vessel, regardless of whose hands it is in. In the majority of cases, National Maritime retains the existing crew to operate the vessel during the period of custody, however, on occasion an uncooperative Master will be replaced as soon as practical under the circumstances.

- Determine the immigration status of all crew members aboard. Confirm that each crew member has proper identification, immigration documents, and a valid visa. This procedure will reduce time, cost, and frustration in the event that the ship becomes the subject of a customs or immigration service inspection. In the event that repatriation becomes part of the ship's custodial plan, the country of origin for each crewmember will be an important practical and budgetary consideration.
- Confirm that the crew is being fed and that there are sufficient provisions aboard. It is common for a vessel that is experiencing financial problems to overlook the need for such basics as provisions and water.
- Determine if the crew requires medical attention. This should include follow-up visits or prescription refills for individuals that have previously received medical attention. Documenting the actual timing of a crew member's injury is significant in that it establishes which party is responsible for the injury-related claim. National Maritime Services' experience is that the necessity to resolve crew medical issues is a relatively-common scenario.
- Positive interaction and good communications with the Master and crew are keys to creating a positive working relationship for the term of custody. If necessary, hire an interpreter who can properly communicate critical information to all crew.
- If the vessel is a passenger vessel, there could be significant numbers of crewmembers whose long-term presence is no longer necessary as their services are not related to the care of the vessel. Examples of these types of workers are chefs, waiters, bartenders, maids, cabin stewards, and casino workers. It must be determined if it is no longer cost effective to keep these crew members aboard and on the payroll. Even if they are not being paid wages, they still consume provisions and use other services of the vessel, which could unnecessarily increase to the cost of the action. Many passenger vessel employment agreements include or guarantee the cost of transportation home for the crew member at the time of expiration or termination date. These repatriation expenses become a cost of the administration of the arrest, and are senior to most other claims or liens.
- Consider the registry of the vessel. If crew replacement becomes necessary, it may be required that alternate workers are properly licensed in the country that the vessel is flagged.
- During an arrest that is a result of a crew claim, the surprise element is removed because the crew themselves are the arresting party. The claim filed is typically for unpaid wages, although employment contract dispute claims, whereby the terms of employment have been misstated or misinterpreted, are also common.

### **Long term vs. short term arrest (security posted)**

If the posts security in lieu of the vessel, pursuant to *Supplemental Admiralty Rule E(5)*, the vessel will be released. This generally occurs within a relatively short period of time, generally within a few hours to one week from the actual arrest, and depends upon the owner's financial status, the arrest jurisdiction, size of the claim, value of the vessel and other pertinent factors. The likelihood of a quick release will likely become apparent soon after the initial arrest. Should the owner not post security for the vessel, the length of time under arrest will become more significant (perhaps as long as one year), and the ultimate sale of the vessel in order to satisfy the claim(s), becomes more likely.

### **Other practical, logistic and financial considerations**

- Evaluate whether the should be shifted or relocated to anchorage or a less expensive berth. Are future shifts likely due to weather-related issues such as hurricanes or typhoons? See *Triton Container International Ltd. V. Compania Anonima Venezolana de Vaegacion*, 1995 AMC 162 (D. Gu. 1994) (in view of impending typhoon, court ordered vessel released from attachment and custody returned to the master). In order to shift or move a vessel in compliance with the USCG and CBP intervention requirements, minimum safe manning of full crew is required.
- Determine the number of crew members and related qualifications that must remain on board through the time the vessel is released (or sold).
- Establish and implement a plan to monitor and secure entry and exit to and from the vessel. Many ports, particularly US ports post 9/11, require that arrested or detained vessels provide for security at all entrance points to the vessel.
- A further review of insurance coverage is imperative as changes in location and crew can affect the viability of previously-established insurance coverage. Evaluate this very important issue before releasing what was originally interpreted as non-essential crew.

### **Crew repatriation**

There are many financial and practical issues relating to crew repatriation. Typically, repatriation expenses are recognized as a high-ranking administrative cost of the arrest. The cost to repatriate varies depending the transportation and security charges involved. Arrangements are generally made to return each crew member to their country of origin. The crew must be continually supervised until placed on board their international flight. As a general rule, the ratio of security staff assigned to repatriating crew is one for every five crew members. In instances where international service is not available from a local airport, the security staff must accompany the repatriating crew through to the international airport.

### **Passenger ships**

In instances where an arrest action filed against a passenger vessel while passengers are aboard, crew management and organizational skills will be severely tested. During the preparation phase of a passenger vessel arrest, try to arrange with the Marshal to execute the warrant of arrest after the ship has come into port and the passengers have disembarked. As one can imagine, arresting a ship with passengers aboard can be a logistical nightmare. See *Motor-Services Hugo Stamp vs. Regal Empress*, 165 Fed. Appx. 837 (11<sup>th</sup> Cir. 2006). If passengers are aboard, there will be the added

burden of arranging to transport the passengers back to their port of embarkation, unloading and returning luggage to the rightful owners, and relying on crew members to perform, despite knowing that they are about to lose their jobs. In addition to the logistical challenges, there are increased liability issues relating to passenger injuries, and the difficulties associated with handling angry passengers that are disappointed and unlikely to recoup the cost of their cruise.

### **Cargo issues**

Upon arrest, potential complications may arise relating to ship's cargo, as the owner is no longer in control, and can not direct the disposition of cargo. At the onset of the arrest, it may be unclear who actually owns the cargo, as the ship owner or charterer may be unwilling to the cargo owner's identity.

The cargo can not be loaded or discharged without court approval, which will require several issues to be addressed, such as: cargo ownership, locations of current and future storage, financially-responsible parties, and parties responsible for cargo-related liabilities that may arise during the loading/unloading process, including injuries to crew and/or stevedores. The responsible parties will also enter into an indemnification agreement. Unless the cargo issues are addressed in advance, as a practical matter, it becomes necessary to cease loading or discharging cargo at the time the warrant of arrest is served on the vessel.

The nature of the cargo must also be considered. As an example, care for perishable cargo, such as providing for refrigeration or offloading to prevent spoilage, must be addressed.

### **Cost to arrest**

It is difficult to use a general rule regarding the cost of a commercial ship arrest because every case contains its own set of unique circumstances. For comparison purposes, two varying full-term arrest file billing statements are included in the appendix hereto (**see Attachments 1-B & 1-C**). When first contacted to act as custodian, National obtains the vessel particulars, the port in which the arrest will occur, and certain details of the case that will serve as an indication of how long the vessel will likely be under arrest. For example, because of the relatively-substantial sums owed, mortgage foreclosure actions tend to present the lowest likelihood of settlement and correspondingly longer periods of arrest. The preliminary arrest budget in this scenario would be projected out over several weeks, perhaps months. On the other hand, if the claim suggests that security will be posted within a day or so, a budget that is based on 5 days care (likely the worst case scenario) would be utilized.

The attached billing statements also serve as a good resource to determine potential types of ship arrest-related costs.

### **Yacht foreclosure**

There has been a significant upturn in the foreclosure rate of "ship like" yachts since 2008. This is a result of the global economic downturn paired with the growth of yacht purchases over the past 20 years. The average size and value of arrested yachts has increased steadily over the past two years. Arrest of these larger vessels presents the same challenges as commercial vessels arrests: large crew, costly storage and maintenance, international travel between multiple maritime jurisdictions, and foreign flags of convenience. While pleasure boat lenders may be accustomed to utilizing self-help repossession methods to repossess smaller vessels, they are utilizing the more complicated

procedure of vessel arrest for the larger pleasure yachts. This procedures, rules, and practices for arresting pleasure yachts are the same ones that govern commercial ship arrests.

### **Preparation for court sale**

In instances where the ship owner is unlikely to post the security necessary for a release, and it becomes increasingly likely that the vessel will be sold at auction, preparation for court sale should start early on. Exhaustive effort should be made to reduce costs, and maximize the corresponding amounts received by claimant(s), by moving the arrest action along quickly, as particular deadlines have been met. Once all notice requirements have been met, file with the courts for approval to sell the vessel. **(Refer to arrest checklist exhibit 1-C)**

If one is moving quickly for a court sale prior to obtaining final judgment, make sure a minimum bid is set by the courts to protect the collateral value. Consider bidding to take ownership in the case where no serious bidders attend the court sale. While a minimum bid can protect one from “bottom feeders,” placing the minimum too high can scare off all bidders resulting in no attendees at the sale. The greater the number of serious bidders at an auction, the higher the bids, and the less-likely the minimum bid comes into play.

In order to increase the likelihood of a third party purchase at auction (who is likely to pay an amount more than the sum of the claims), it is recommended that one retain the services of a broker or auction company to solicit a significant amount of potential buyers. In many instances, the custodian may be best qualified to handle the sale, as it may have been in contact with potential buyers who learned of the arrest “through the grapevine”. National Maritime Services has been successful marketing the sale of vessels in conjunction with its custodial duties; the efficiencies typically allow National to sell the vessel at a reduced commission rate.

### **After winning a credit bid**

In some instances the claimant may ultimately credit bid its unpaid claim and become the winning bidder (and resulting ship owner) at the Marshal's auction. In this instance, the claimant (now owner) must decide whether to sell the vessel or operate it as a business. If the vessel is to be sold, consideration should be paid to attracting the best price possible, in the shortest period of time as, in general, the costs involved in holding the vessel for an extended period of time far outweighs the benefit of waiting for a high-priced buyer.

Using an experienced ship broker is historically the most common and accepted way to sell a ship, as they have the best contacts and leads, know the ins and outs of the business, know who is capable of a purchase in the price range, and can properly negotiate the best end result. The downside is that a traditional brokerage sale of a ship may take a longer period of time. Some ships that have a special or limited use could potentially be on the market for years.

Another method of sale is an auction. One can market, advertise, provide surveys, inspections, and sea trial results in as little as 60 days. All qualified buyers come to the sale with the same required deposit and can purchase under the same contingencies. All financing must be in place before bidding, avoiding unnecessary delays in closing. The downside to an auction is that it limits the market to buyers that are presently in the market for a vessel of particular specifications and are



qualified to purchase it. National Maritime Services' affiliate, National Liquidators, has proven successful in marketing vessels in an on-line auction format.

Another option of sale, that can save the cost of commission or an auction fee, is for the claimant (now owner) to sell the vessel on their own. If the plaintiff (now owner) or their counsel has enough familiarity with the shipping business, they may have the best knowledge of the most qualified buyer(s). The downside to this method is that a buyer may sense that the seller is desperate, or that he is the only buyer, as opposed to an auction environment or brokerage sale where the vessel is presented to more prospective buyers.

Another alternative that has become utilized more recently by institutions which have a large investment in the shipping industry is to retain the ship and operate it as a going concern. This approach, which essentially hinges upon increases in shipping market rates, could ultimately produce a very outcome. Many experts, including the author, have not embraced this alternative in the past, however they are taking a second look in light of the current market circumstances.

## Case Examples

### M/T Yarmouth

- 601' Bulk carrier, Built 1985, Liberian flag
- Ship mortgage foreclosure
- Immediate repatriation of non-essential crew
- Arranged hull insurance and P&I coverage
- Completed Bureau Veritas class certifications
- Ship sale yielded 25% more than appraisal
- Managed crew swap after sale

### M/T Fase

- 453' Chemical Tanker, Built 2004, Liberian flag
- Ship mortgage foreclosure
- Required bio-diesel cargo offload
- Hired additional AMO crew for cargo offload
- Completed life raft certification
- Sold \$26+ million – lender credit bid

### M/T Hedda

- 433' Chemical Tanker, Built 1987, Liberian flag
- Ship mortgage foreclosure - subsequent crew claim
- Initially arrested with no custodian – security guard only
- Crew member with serious medical condition
- No food or water for crew
- Repatriation required guard service through to international airport departure

### M/V Midnight Gambler II

- 160' Gaming Ship, Built 1998, U.S. flag
- Ship mortgage foreclosure
- Vessel relocated to dry dock for haul out & hull examination
- Corrected USCG vessel COI discrepancies
- Significant USCG communications
- Under arrest for 6+ months (debtor-created delays)

### M/V Island Adventure

- 515' Casino Vessel, Built 1976, Bahamas flag
- Crew claim
- Repatriated 122 non-essential crew members (Philippines, India, Malaysia)
- CBP required repatriation within 48 hour deadline
- Obtained court-permission to retain essential crew
- Implemented layup plan to include generator and reduced manning
- Created hurricane mobilization plan

## Case Examples Continued

### **M/V Casino Royale**

- 433' Gambling Ship, Built 1975, Bahamas flag
- Crew claim
- Contingency case
- Located in Bahamas
- Retained by Bahamian Admiralty Marshal
- Alternate claims to gaming equipment

### **M/V Yosemite**

- 584' Bulk carrier, Built 1985, Liberian flag
- Ship mortgage foreclosure – Eastwind fleet
- Vessel arrested in Canada
- Replaced Chief Officer & 3<sup>rd</sup> Officer
- Maintained Nippon Kaiji Kyokai (“NK”) class certification

### **M/T Anasazi**

- 780' Chemical/Oil Tanker, Built 1958, U.S. flag
- Bunkers claim
- Jones Act ship requiring US crew
- Significant costs to keep ship's plants running
- Created plan to reduce costs – in-district relocation from JAX to Tampa for layup
- Judge ordered sale in 7 days
- Aggressive marketing produced several viable bidders

### **M/V Stella Maris**

- 266' Dry Cargo Ship, Built 2008, Antigua & Barbuda flag
- Crew claim
- Relocated to Miami River to reduce dockage costs
- Reduced crew of 7 to single watchman
- Repatriation difficult as some crew could not get home (Funafuti, Tuvalu)



## EXHIBIT 1-A

  
**NATIONAL MARITIME SERVICES**  
VESSEL ARREST/CUSTODY SERVICES

1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312-3113  
TELEPHONE: (954) 990 1290  
FACSIMILE: (954) 602 9127  
E-MAIL: *info@vesselarrest.com*

### VESSEL CUSTODY AGREEMENT

This Agreement, entered into by \_\_\_\_\_,

in its capacity as (check one) ☐ legal counsel representing the Plaintiff, or  
☐ Plaintiff executing on its behalf,

and National Maritime Services, Inc. and its affiliates National Liquidators and G. Robert Toney Associates (collectively "National").

Plaintiff Name: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Plaintiff hereby authorizes National to take possession under court order, transport, hold in its possession, and discharge, as necessary, the following described vessel, its cargo and equipment:

Vessel Name: \_\_\_\_\_ Manufacturer: \_\_\_\_\_ Year Built: \_\_\_\_\_

LOA (Length): \_\_\_\_\_ IMO/Official Number: \_\_\_\_\_ Flag: \_\_\_\_\_

Registered Owner/Debtor Name: \_\_\_\_\_

Case Number: \_\_\_\_\_

Location and other Pertinent Information: \_\_\_\_\_

**This AGREEMENT, including the additional terms and pricing schedule, each attached hereto, shall be binding on Plaintiff and National.**

**ON BEHALF OF PLAINTIFF:**

**ON BEHALF OF NATIONAL:**

_____	_____	_____	_____	Signature
Date	Signature	_____	Date ok. will see how to make this happen.	
_____	_____	_____	_____	Print Name
Title	Print Name	_____	Title	

## **VESSEL CUSTODY AGREEMENT ADDITIONAL TERMS**

1. National is authorized to take all reasonable measures to protect and maintain the value of the property in its custody and to prevent liabilities to third parties, including personal injury, property or pollution damage, without specific Plaintiff authorization.
2. National shall arrange for liability insurance coverage, indemnifying itself for an amount up to \$10 million, in connection with this Agreement. Plaintiff shall be responsible to reimburse National for the cost of this coverage in accordance with the charges on the attached pricing schedule.
3. Plaintiff assumes full responsibility for any loss or damage to the vessel including, but not limited to, theft, fire, sinking, flooding, storm damage, or breakdown of machinery. Port risk insurance may be available, subject to individual quote and placement, at an additional charge.  
  
☐ Plaintiff authorizes National to obtain port risk/hull coverage for the vessel and to obtain court approval for cost of the premium and any handling charges associated therewith.
4. Plaintiff agrees to hold harmless, defend and indemnify National, its affiliated companies, and its contractors from any and all expense, loss, damage, claim, or action arising out of the administration of this Agreement, including reasonable attorney's fees and costs, except where such expense, loss, damage, claim or action is a result of the negligence of National, its affiliated companies, or its contractors. National's total liability, which shall be limited to liability caused by its own negligence, or the negligence of its affiliated companies or its contractors, will be limited to the amount of the charges for National's services rendered in connection with this Agreement.
5. An advance deposit is required by Plaintiff, prior to the arrest, in an amount that equals the one-time, non-refundable mobilization and coordination fee plus 10 days estimated charges, in accordance with the pricing schedule attached hereto. The amount of the advance deposit will vary, depending upon the individual circumstances and the complexity of the arrest. Plaintiff shall make additional payments to National, immediately upon presentation of written estimates for services contracted for any subsequent 10 day period, in accordance with the pricing schedule attached hereto. All charges for services rendered are payable in full, regardless of: (a) whether the arrest is completed, vacated or cancelled, for any reason whatsoever; or (b) the validity or priority of Plaintiff's claim against the vessel, or its owner; or (c) the amount of the proceeds of the liquidation of the vessel, if any.

Upon written notice to plaintiff, should any invoices remain past due, National shall, at its sole discretion, request the court to permit it to withdraw as custodian.

All unpaid invoices shall incur interest at 1.5% per month. Should National be required to take any action to enforce this Agreement and/or collect any sums due hereunder, National will be entitled to recover reasonable attorney's fees and collection costs associated therewith. Should National find it necessary to appoint counsel for the benefit of the vessel or creditors, or to interact with any federal, state or local authority or agency, law or regulation pertaining to the vessel or crew, those attorney's fees and costs will be charged as custodial expenses for which plaintiff will be responsible.

6. This Agreement is governed by the general maritime law of the United States with venue in the United States district Court for the Southern District of Florida, to the exclusion of all other jurisdictions.

*SHIP ARREST, SEIZURE, REPOSSESSION & CUSTODIANSHIP  
DOMESTIC PRICING SCHEDULE  
EFFECTIVE JANUARY 1, 2010*

**TABLE OF CONTENTS**

Section	Title
1	Crew Staffing
2	Security Personnel
3	Insurance Coverages
4	Custodial Fees
5	Other Personnel Charges
6	Other Costs
7	Vessel Sales



### **Section 1 - Crew Staffing**

Vessel staffing is administered in accordance with government agency mandates, port requirements, and National Maritime Services' sole discretion as to the overall safety of the ship and crew. To the extent practical and with regard to economic efficiency, National Maritime Services will utilize ship's existing crew, reimbursed at cost, plus a 15 % handling charge.

In instances where crew members are provided by National Maritime Services, time begins when crew member(s) leave home base and ends upon their return. Economy class air transportation and reasonable incidental expenses is reimbursed at cost, plus a 15 % handling charge. When board is not furnished, each officer shall receive a \$40 daily meal allowance, reimbursed at cost, plus a 15 % handling charge. Charges for specific crew members, based upon necessary qualifications, are listed below.

#### **CREW CHARGES**

DESCRIPTION	DAILY CHARGE
Master	\$700
Chief Engineer	\$675
Chief Mate or 1 <sup>st</sup> Assistant Engineer	\$600
2nd Mate or 2nd Assistant Engineer	\$550
3 <sup>rd</sup> Mate or 3 <sup>rd</sup> Assistant Engineer	\$500

When repatriation of a foreign crew is necessary, all related costs, including but not limited to travel, meals, lodging, escort, processing and government fees will be reimbursed at cost, plus a 15% handling charge.

## **Section 2 - Security Personnel**

National Maritime Services provides security services on the ship (watchmen) and dockside (security guards).

As a general rule, one onboard watchman is sufficient. Dockside security staffing is determined by port requirements and National Maritime Services in its sole discretion.

### **SECURITY CHARGES**

DESCRIPTION	CHARGE
Watchmen (each)	\$35 per hour \$425 daily maximum
Security	By quote *plus 15% handling charge

### **Section 3 - Insurance Coverages**

Liability coverage with a minimum \$10 million limit, covering National Maritime Services, is required on all vessels. This coverage requirement is independent of other existing vessel coverage and shall be arranged by National Maritime Services at a charge of \$520 per month, or any portion thereof.

At plaintiff's option, additional coverage for loss or damage to the vessel, shall be individually quoted and is reimbursed at cost, plus a 15 % handling charge. Coverage shall be bound upon Plaintiff's written acknowledgement and consent to policy terms and conditions.

#### **Section 4 - Custodial Fees**

There is a one-time initial mobilization fee which covers the coordination of the arrest, preparing budgets, and production and execution of related court documents.

A custodial fee is charged for each day that the vessel remains in National Maritime Services' custody, or portion thereof. This charge varies, based upon the overall length of the vessel in custody.

#### **CUSTODIAL FEES**

DESCRIPTION	CHARGE
Initial mobilization fee	\$3,250
Daily custodial fee	\$.50 per foot (LOA) \$200 minimum

### **Section 5 - Other Personnel Charges**

In connection with an arrest and subsequent custodianship, National Maritime Services will provide various services for the benefit of the vessel or claimants. Examples of these types of services include, but are not limited to: investigation, locate and tracking of vessel, documenting vessel inventory, consulting and negotiation (including USCBP & USCG negotiations), overseeing orderly discharge of cargo, and providing expert court witness testimony. In these instances, services will be billed hourly, based upon the qualifications of the individual providing said service.

#### **PERSONNEL CHARGES**

DESCRIPTION	HOURLY CHARGE
Operations or Recovery Manager	\$ 125*
Supervisor	\$ 75*
All other staff	\$ 45*
	*Plus 50% premium for overtime, weekends and holidays

### **Section 6 - Other Costs**

In connection with an arrest and subsequent custodianship, National Maritime Services will contract with third parties to provide various services for the benefit of the vessel or claimants. Examples of these types of services include, but are not limited to: dockage, port agent, ship management, HAZMAT & pollution remediation, salvage services, incidental port charges, utilization of tugs, pilots and line handlers, water, provisions, electricity, garbage removal, transportation, lodging, port fees, communications fees, discharge, storage and transportation of cargo, bunkering, crew repatriation, and other incidental charges. In these instances, charges will be reimbursed at cost, plus a 15 % handling charge.



## **Section 7 - Vessel Sales**

In instances where National Maritime Services is contracted to market the ship for sale, the following services can be provided \* :

### **Marketing Materials**

- Production of a vessel-specific marketing pamphlet, intended for distribution to potential buyers. The pamphlets will be a compilation of the listing information, vessel specifications, current survey and pictures.
- Magazine and periodical advertising placements. National will assist in developing an advertising schedule and ad copy.

### **Sales Outlets**

- Brokerage team – National's sales staff of 12 will market the vessel to its network of potential buyers (located in both the United States and abroad).
- VesselArrest.com/YachtAuctions.com website – These sites generate 2 million monthly visitors from around the world.
- Contact with ship buyers and brokers – Extensive database of commercial vessel purchasers and ship brokers who will be encouraged to participate in the sale.

### **Sales Charges**

- \$5000 allowance for actual advertising costs related to placement in trade publications (recommended)
- \$5000 allowance for costs relating to preparation of independent pre-sale survey report (recommended)
- 3% commission to National, plus an additional 1% if an independent co-broker brings the buyer to the auction.

\*Some services provided by companies affiliated with National Maritime Services

Exhibit 1-B

Example of "Cost to Arrest" ~ Island Adventure

**NATIONAL MARITIME SERVICES**  
1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312  
TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
WATS: 800-633-7172

**FINAL INVOICE**

Date of Charges: 8/23/08-10/27/08  
Type of Vessel: Gambling Cruise ship  
Size/NL Stock#: 515' 18903  
Vessel Name: M/V Island adventure

Bill To: Island Adventure Crew  
66 West Flagler Street, Suite 300  
Miami, FL 33130-1876  
(305) 377-1910  
(305) 377-1915  
Case # 0:08-cv-61247-Ungaro

Date	Description	Units	Unit cost	Amount	Handling Fees	Amount Billed
8/23/2008	Coordination and Execution of Arrest	1	\$1,500.00	\$1,500.00		\$1,500.00
8/23/2008	Customs Bond	1	\$350.00	\$350.00	\$52.50	\$402.50
8/25/2008	Wage advance to Crew Member	1	\$483.13	\$483.13	\$72.47	\$555.60
8/25/2008	Used cooking oil, oily rags removal	1	\$410.00	\$410.00	\$61.50	\$471.50
8/26/2008	Crew provisions	1	\$10,407.47	\$10,407.47	\$1,561.12	\$11,968.59
8/27/2008	Port agency first five days 8/23/08-8/27/08	1	\$1,500.00	\$1,500.00	\$225.00	\$1,725.00
8/27/2008	Operations Manager, U.S. Customs/CBP/INS Negotiations & Repatriation 8/23/08-8/27/08	8	\$125.00	\$1,000.00		\$1,000.00
8/27/2008	Garbage removal (SST)	1	\$3,285.00	\$3,285.00	\$492.75	\$3,777.75
8/27/2008	Tropic oil Fuel delivery (9250 gallons)	1	\$34,977.75	\$34,977.75	\$5,246.66	\$40,224.41
8/28/2008	Crew provisions	1	\$2,907.93	\$2,907.93	\$436.19	\$3,344.12
8/28/2008	Lube oil 403 (gallons)	1	\$4,990.38	\$4,990.38	\$748.56	\$5,738.94
8/28/2008	Ships supply- Coffee cups & filters	1	\$77.00	\$77.00	\$11.55	\$88.55
8/29/2008	Crew Payroll 8/23/08-8/29/08	1	\$14,757.91	\$14,757.91	\$2,213.69	\$16,971.60
8/29/2008	Dumpster removal (Waste Management)	1	\$902.00	\$902.00	\$135.30	\$1,037.30
8/29/2008	Excess baggage charge for crew member	1	\$100.00	\$100.00	\$15.00	\$115.00
8/29/2008	Medical parole	1	\$65.00	\$65.00	\$9.75	\$74.75
8/29/2008	Medical for	1	\$484.62	\$484.62	\$72.69	\$557.31
8/30/2008	American Guard (Security Guard) 8/26/08-8/30/08	1	\$7,139.04	\$7,139.04	\$1,070.86	\$8,209.90
8/30/2008	Operations Manager to pay crew	1	\$125.00	\$125.00		\$125.00
8/31/2008	Water, tax and hook up fees for ship & crew 8/23/08-8/31/08	1	\$2,821.30	\$2,821.30	\$423.20	\$3,244.50
8/31/2008	Harbor Master fee (8 days) 8/24/08-8/31/08	1	\$696.00	\$696.00	\$104.40	\$800.40
	<b>Sub Total August billing</b>					<b>\$101,932.71</b>
9/1/2008	Forms 408, I-94 (Landing Permit) Repatriation requirement 8/23/08-9/01/08	1	\$100.00	\$100.00	\$15.00	\$115.00
9/1/2008	Crew safe guard escort to Miami & FLL airport (84 crew members) 8/23/08-9/01/08	1	\$11,286.00	\$11,286.00	\$1,692.90	\$12,978.90
9/1/2008	Intertrans (crew transportation) 8/23/08-9/01/08	1	\$3,883.75	\$3,883.75	\$582.56	\$4,466.31
9/3/2008	Operations assistant to escort 2 Sea Escape personnel to review Crew wage records	1	\$75.00	\$75.00		\$75.00
9/4/2008	Garbage removal TGL 8/29/08-9/04/08	1	\$2,033.00	\$2,033.00	\$304.95	\$2,337.95

Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Island Adventure

**NATIONAL MARITIME SERVICES**  
1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312  
TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
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66 West Flagler Street, Suite 300  
Miami, FL 33130-1876  
(305) 377-1910  
(305) 377-1915  
Case # 0:08-cv-61247-Ungaro

9/4/2008	Lube oil 1100 (gallons)	1	\$14,380.78	\$14,380.78	\$2,157.12	\$16,537.90
9/4/2008	Copy of inventory video made	1	\$15.00	\$15.00	\$2.25	\$17.25
9/4/2008	FedEx to Houck Anderson, vessel inventory info	1	\$11.35	\$11.35	\$1.70	\$13.05
9/5/2008	Crew Payroll 8/30/08-9/05/08	1	\$11,175.80	\$11,175.80	\$1,676.37	\$12,852.17
9/5/2008	TGL garbage removal	1	\$493.60	\$493.60	\$74.04	\$567.64
9/6/2008	American Guard (Security Guard) 8/31/08-9/06/08	1	\$10,875.48	\$10,875.48	\$1,631.32	\$12,506.80
9/6/2008	Operations Manager to pay crew and secure crew wage computers in locked storage area.	2	\$125.00	\$250.00		\$250.00
9/7/2008	Third Mate (U.S. Citizen) as directed by USCG 9/06/08-9/07/08	2	\$453.00	\$906.00	\$135.90	\$1,041.90
9/9/2008	Operations Assistant to deliver Omnibus order to CBP/Ship/Pier Security.	1	\$75.00	\$75.00		\$75.00
9/10/2008	Airfare funds for second mate (repatriation)	1	\$112.00	\$112.00	\$16.80	\$128.80
9/10/2008	Crew wages 9/06/08-9/11/08	1	\$11,098.82	\$11,098.82	\$1,664.82	\$12,763.64
9/10/2008	Operations Manager to pay crew	1	\$125.00	\$125.00		\$125.00
9/10/2008	Fuel for vessel	1	\$24,007.87	\$24,007.87	\$3,601.18	\$27,609.05
9/11/2008	Operations Manager, CBP/USCG negotiations	5	\$125.00	\$625.00		\$625.00
9/11/2008	Crew repatriation	1	\$64,496.74	\$64,496.74	\$9,674.51	\$74,171.25
9/11/2008	Mooring lines survey (required for layup by USCG)	1	\$400.00	\$400.00	\$60.00	\$460.00
9/11/2008	Safe guard America to escort repatriated crew to airport.	1	\$4,056.80	\$4,056.80	\$608.52	\$4,665.32
9/12/2008	Cab fare for ships cook, from home to ship	1	\$20.00	\$20.00	\$3.00	\$23.00
9/12/2008	Generator upfront costs, to include cable rental	1	\$44,580.00	\$44,580.00	\$6,687.00	\$51,267.00
9/12/2008	Generator rental sales tax	1	\$2,724.80	\$2,724.80	\$408.72	\$3,133.52
9/12/2008	Crew finders fee for cook (9-12-19/08)	1	\$187.50	\$187.50	\$28.13	\$215.63
9/13/2008	American Guard (Security Guard) 9/07/08-9/13/08	1	\$8,191.92	\$8,191.92	\$1,228.79	\$9,420.71
9/13/2008	Ships cook pay advance	1	\$100.00	\$100.00	\$15.00	\$115.00
9/13/2008	US Crew payroll	1	\$7,772.50	\$7,772.50	\$1,165.88	\$8,938.38
9/13/2008	Coffee maker & toaster	1	\$31.78	\$31.78	\$4.77	\$36.55
9/13/2008	Provisions for crew	1	\$120.76	\$120.76	\$18.11	\$138.87
9/14/2008	Tools for engineers	1	\$37.10	\$37.10	\$5.57	\$42.67
9/14/2008	Provisions for crew	1	\$138.50	\$138.50	\$20.78	\$159.28
9/15/2008	Fuel for vessel	1	\$10,007.40	\$10,007.40	\$1,501.11	\$11,508.51

Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Island Adventure

**NATIONAL MARITIME SERVICES**  
1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312  
TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
WATS: 800-633-7172

**FINAL INVOICE**

Date of Charges: 8/23/08-10/27/08  
Type of Vessel: Gambling Cruise ship  
Size/NL Stock#: 515' 18903  
Vessel Name: M/V Island adventure

Bill To: Island Adventure Crew  
66 West Flagler Street, Suite 300  
Miami, FL 33130-1876  
(305) 377-1910  
(305) 377-1915  
Case # 0:08-cv-61247-Ungaro

9/15/2008	World petroleum to remove contaminated sludge from vessel.	1	\$1,746.00	\$1,746.00	\$261.90	\$2,007.90
9/16/2008	Operational Assistant met picked up new Chief Eng, escorted to ship	3	\$75.00	\$225.00	\$33.75	\$258.75
9/16/2008	Pump rental for dewatering, hoses and associated hardware.	1	\$170.23	\$170.23	\$25.53	\$195.76
9/16/2008	World petroleum to remove contaminated sludge from vessel.	1	\$669.00	\$669.00	\$100.35	\$769.35
9/16/2008	Third Eng (U.S. Citizen) as directed by USCG	1	\$300.00	\$300.00	\$45.00	\$345.00
9/17/2008	Locksmith to open room for ISI-Maritime/Islands to remove equipment as directed by court.	1	\$135.00	\$135.00	\$20.25	\$155.25
9/17/2008	Airfare to fly in Chief Engineer (US)	1	\$240.50	\$240.50	\$36.08	\$276.58
9/17/2008	Operations Assistant, escorted locksmith onboard vessel and escorted additional crew onboard ship.	4	\$75.00	\$300.00		\$300.00
9/17/2008	Fuel for vessel	1	\$1,871.91	\$1,871.91	\$280.79	\$2,152.70
9/18/2008	Operations Assistant, went to Publix to pickup groceries for ships crew.	4	\$75.00	\$300.00		\$300.00
9/18/2008	Groceries for crew	1	\$174.92	\$174.92	\$26.24	\$201.16
9/18/2008	Fuel for vessel on	1	\$1,610.90	\$1,610.90	\$241.64	\$1,852.54
9/19/2008	US Crew payroll	1	\$28,884.00	\$28,884.00	\$4,332.60	\$33,216.60
9/19/2008	Operations Assistant, escorted replacement crewmember for 3rd mate.	3	\$75.00	\$225.00		\$225.00
9/19/2008	Pump rental for dewatering, hoses and associated hardware.	1	\$184.09	\$184.09	\$27.61	\$211.70
9/19/2008	Photo copies of ships tanks (Kinko's)	1	\$26.50	\$26.50	\$3.98	\$30.48
9/19/2008	Southern Refrigeration Engineers to troubleshoot faulty air conditioning	1	\$450.00	\$450.00	\$67.50	\$517.50
9/19/2008	Fuel for vessel	1	\$2,272.97	\$2,272.97	\$340.95	\$2,613.92
9/20/2008	Operations Assistant, picked up lunch and dinner for crew. (cook quit, working on replacement)	4	\$75.00	\$300.00		\$300.00
9/20/2008	Men (3) to clean freezer and cabins. Perishable removal.	1	\$750.00	\$750.00	\$112.50	\$862.50
9/20/2008	Crew provisions	1	\$254.33	\$254.33	\$38.15	\$292.48
9/20/2008	Comfort marine air to troubleshoot air conditioning	1	\$562.50	\$562.50	\$84.38	\$646.88
9/20/2008	Garbage bags for galley clean up.	1	\$11.76	\$11.76	\$1.76	\$13.52



Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Island Adventure

**NATIONAL MARITIME SERVICES**  
 1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
 FORT LAUDERDALE, FLORIDA 33312  
 TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
 WATS: 800-633-7172

**FINAL INVOICE**

Date of Charges: 8/23/08-10/27/08  
 Type of Vessel: Gambling Cruise ship  
 Size/NL Stock#: 515' 18903  
 Vessel Name: M/V Island adventure

Bill To: Island Adventure Crew  
66 West Flagler Street, Suite 300  
Miami, FL 33130-1876  
(305) 377-1910  
(305) 377-1915  
Case # 0:08-cv-61247-Ungaro

9/20/2008	Fuel for vessel	1	\$2,390.12	\$2,390.12	\$358.52	\$2,748.64
9/20/2008	Fuel for vessel	1	\$2,056.09	\$2,056.09	\$308.41	\$2,364.50
9/21/2008	Third Eng (U.S. Citizen) as directed by USCG 9/20/08-9/21/08	2	\$300.00	\$600.00	\$90.00	\$690.00
9/21/2008	Operations Assistant, picked up lunch and dinner for crew. (cook quit, working on replacement)	4	\$75.00	\$300.00		\$300.00
9/21/2008	Groceries and supper for the crew.	1	\$49.15	\$49.15	\$7.37	\$56.52
9/21/2008	Tools and supplies, water hose & zip lock bags 9/15-21/08	1	\$70.87	\$70.87	\$10.63	\$81.50
9/21/2008	Lunch & Supper for the crew 9/20-21/08	1	\$139.13	\$139.13	\$20.87	\$160.00
9/22/2008	Operations assistant to escort people aboard to remove gaming equipment as per court order. I	3	\$75.00	\$225.00		\$225.00
9/22/2008	Fuel for vessel	1	\$1,986.19	\$1,986.19	\$297.93	\$2,284.12
9/22/2008	Lunch for 3 crew members	1	\$14.25	\$14.25	\$2.14	\$16.39
9/23/2008	Accommodations for out of town US crew 9/23/08-10/11/08. Vessel in layup status and uninhabitable. Comfort Suites.	1	\$6,506.29	\$6,506.29	\$975.94	\$7,482.23
9/23/2008	Fuel for vessel	1	\$2,483.49	\$2,483.49	\$372.52	\$2,856.01
9/23/2008	Copy of ships cabin layout diagrams	1	\$19.08	\$19.08	\$2.86	\$21.94
9/23/2008	Markers for roster board at pier gate	1	\$8.47	\$8.47	\$1.27	\$9.74
9/23/2008	Garbage removal (TGL)	1	\$888.40	\$888.40	\$133.26	\$1,021.66
9/24/2008	Fuel for vessel	1	\$1,901.79	\$1,901.79	\$285.27	\$2,187.06
9/25/2008	Fuel for vessel	1	\$2,598.10	\$2,598.10	\$389.72	\$2,987.82
9/26/2008	Fuel for vessel	1	\$1,632.65	\$1,632.65	\$244.90	\$1,877.55
9/26/2008	Crew payroll 9/20-26/08	1	\$35,099.77	\$35,099.77	\$5,264.97	\$40,364.74
9/26/2008	Operations assistant to pay crew	2	\$75.00	\$150.00		\$150.00
9/27/2008	Fuel for vessel	1	\$2,584.54	\$2,584.54	\$387.68	\$2,972.22
9/28/2008	Operations manager to meet and escort prospective buyers of vessel 9/27-28/08	6	\$125.00	\$750.00		\$750.00
9/28/2008	Fuel for vessel	1	\$1,857.34	\$1,857.34	\$278.60	\$2,135.94
9/29/2008	Fuel for vessel	1	\$2,131.68	\$2,131.68	\$319.75	\$2,451.43

Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Island Adventure

**NATIONAL MARITIME SERVICES**  
1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312  
TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
WATS: 800-633-7172

**FINAL INVOICE**

Date of Charges	8/23/08-10/27/08	Bill To:	Island Adventure Crew			
Type of Vessel:	Gambling Cruise ship		66 West Flagler Street, Suite 300 Miami, FL 33130-1876 (305) 377-1910 (305) 377-1915 Case # 0:08-cv-61247-Ungaro			
Size/NL Stock#:	515' 18903					
Vessel Name:	M/V Island adventure					
9/30/2008	CBI to pump tanks due to vessel not being able to go to sea to pump tanks. USCG inspected vessel and closed several valves that were open to the sea, pumping Excess fluid in tanks (ballast) causing vessel to list to starboard approximately 4.5 degrees. USCG directed Custodian to pump ballast off via pump trucks to correct list of vessel. 9/16/2008-9/30/08	1	\$125,730.67	\$125,730.67	\$18,859.60	\$144,590.27
9/30/2008	Fuel for vessel	1	\$2,501.54	\$2,501.54	\$375.23	\$2,876.77
	<b>Sub Total September billing</b>					<b>\$540,789.64</b>
	<b>Interest through 8/31</b>					<b>\$1,528.99</b>
10/1/2008	Fuel for vessel	1	\$2,434.46	\$2,434.46	\$365.17	\$2,799.63
10/1/2008	Professional Services rendered by attorney Patrick Novak	1	\$10,273.98	\$10,273.98	\$1,541.10	\$11,815.08
10/2/2008	Fuel for vessel	1	\$2,114.88	\$2,114.88	\$317.23	\$2,432.11
10/3/2008	Crew payroll 9/27/08-10/03/08	1	\$32,064.76	\$32,064.76	\$4,809.71	\$36,874.47
10/3/2008	Operations assistant to pay crew	2	\$75.00	\$150.00		\$150.00
10/3/2008	Fuel for vessel	1	\$2,330.52	\$2,330.52	\$349.58	\$2,680.10
10/4/2008	Fuel for vessel	1	\$2,093.27	\$2,093.27	\$313.99	\$2,407.26
10/5/2008	Fuel for vessel	1	\$1,626.09	\$1,626.09	\$243.91	\$1,870.00
10/6/2008	Fuel for vessel	1	\$3,224.71	\$3,224.71	\$483.71	\$3,708.42
10/7/2008	Fuel for vessel	1	\$2,179.61	\$2,179.61	\$326.94	\$2,506.55
10/7/2008	Sounding tape and paste (2)	1	\$523.80	\$523.80	\$78.57	\$602.37
10/8/2008	Fuel for vessel	1	\$2,093.21	\$2,093.21	\$313.98	\$2,407.19
10/9/2008	Generator rental 10/16-10/24/08, maintenance & fuel	1	\$30,085.28	\$30,085.28	\$4,512.79	\$34,598.07
10/9/2008	Garbage removal (TGL)	1	\$481.00	\$481.00	\$72.15	\$553.15
10/10/2008	Operations assistant to pay crew	2	\$75.00	\$150.00		\$150.00
10/10/2008	Crew payroll 10/04-10/10	1	\$32,857.38	\$32,857.38	\$4,928.61	\$37,785.99
10/10/2008	Fuel for vessel	1	\$2,029.16	\$2,029.16	\$304.37	\$2,333.53
10/11/2008	Accommodations for out of town US crew 10/11/08-10/15/08. Vessel in layup status and uninhabitable.	1	\$2,104.56	\$2,104.56	\$315.68	\$2,420.24
10/11/2008	Fuel for vessel	1	\$1,981.25	\$1,981.25	\$297.19	\$2,278.44
10/12/2008	Fuel for vessel	1	\$1,703.55	\$1,703.55	\$255.53	\$1,959.08
10/13/2008	Fuel for vessel	1	\$2,065.51	\$2,065.51	\$309.83	\$2,375.34



Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Island Adventure

**NATIONAL MARITIME SERVICES**  
1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312  
TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
WATS: 800-633-7172

**FINAL INVOICE**

Date of Charges: 8/23/08-10/27/08  
Type of Vessel: Gambling Cruise ship  
Size/NL Stock#: 515' 18903  
Vessel Name: M/V Island adventure

Bill To: Island Adventure Crew  
66 West Flagler Street, Suite 300  
Miami, FL 33130-1876  
(305) 377-1910  
(305) 377-1915  
Case # 0:08-cv-61247-Ungaro

10/14/2008	Crew member 3rd mate pay	1	\$340.00	\$340.00	\$51.00	\$391.00
10/14/2008	Vessel required to shift berth as per Port Everglades.	1	\$9,702.00	\$9,702.00	\$1,455.30	\$11,157.30
10/14/2008	8 line handlers required onboard shift during berth shift	8	\$200.00	\$1,600.00	\$240.00	\$1,840.00
10/14/2008	Lunch for line handlers	1	\$144.90	\$144.90	\$21.74	\$166.64
10/14/2008	Pilot services for berth shift	1	\$967.51	\$967.51	\$145.13	\$1,112.64
10/14/2008	Fuel for vessel	1	\$2,282.00	\$2,282.00	\$342.30	\$2,624.30
10/14/2008	Garbage removal (TGL)	1	\$300.40	\$300.40	\$45.06	\$345.46
10/15/2008	Cliff Berry to pump vessel as required by Port Everglades & USCG. 10/01/08-10/12/08 (2 invoices)	1	\$26,657.05	\$26,657.05	\$3,998.56	\$30,655.61
10/15/2008	Fuel for vessel	1	\$1,879.70	\$1,879.70	\$281.96	\$2,161.66
10/15/2008	City water & tax 9/3-10/15 2008	1	\$7,088.40	\$7,088.40	\$1,063.26	\$8,151.66
10/16/2008	Fuel for vessel	1	\$1,688.37	\$1,688.37	\$253.26	\$1,941.63
10/16/2008	Fuel for vessel	1	\$1,440.66	\$1,440.66	\$216.10	\$1,656.76
10/16/2008	Broker/operations escorts, showings, fedexed plans and spec sheets/videos and photo packages for prospective qualified buyer review, Meetings with sales manager (separate from broker) to review USMS regulations, confirmation of sale, requirements to exit port, etc.45 in person inquiries at 1 hour each, phone inquiries, Operations Manager to prepare post sales proposals for buyer requests on post sale management with port or local agency through National Maritime Services, required in order to know what to bid.	1	\$5,000.00	\$5,000.00		\$5,000.00
10/16/2008	Outside brokers commission for sale	1	\$10,000.00	\$10,000.00		\$10,000.00
10/16/2008	National Liquidators brokers commission	1	\$10,000.00	\$10,000.00		\$10,000.00
10/17/2008	Operations assistant to pay crew	2	\$75.00	\$150.00		\$150.00
10/17/2008	Crew payroll 10/11-/08	1	\$32,953.00	\$32,953.00	\$4,942.95	\$37,895.95
10/18/2008	Fuel for vessel	1	\$2,137.81	\$2,137.81	\$320.67	\$2,458.48
10/19/2008	Fuel for vessel	1	\$1,327.66	\$1,327.66	\$199.15	\$1,526.81
10/19/2008	Cliff Berry to pump vessel as required by Port Everglades & USCG. 10/13/08-10/19/08 (2 invoices)	1	\$9,735.44	\$9,735.44	\$1,460.32	\$11,195.76

Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Island Adventure


<div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;">  <p><b>NATIONAL MARITIME SERVICES</b> 1915 SOUTHWEST 21<sup>ST</sup> AVENUE FORT LAUDERDALE, FLORIDA 33312 TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626 WATS: 800-633-7172</p> </div> <div style="text-align: right;"> <p><b>FINAL INVOICE</b></p> </div> </div>						
Date of Charges	8/23/08-10/27/08	Bill To:	Island Adventure Crew			
Type of Vessel:	Gambling Cruise ship		66 West Flagler Street, Suite 300			
Size/NL Stock#:	515' 18903		Miami, FL 33130-1876			
Vessel Name:	M/V Island adventure		(305) 377-1910			
			(305) 377-1915			
			Case # 0:08-cv-61247-Ungaro			
10/20/2008	Fuel for vessel	1	\$911.79	\$911.79	\$136.77	\$1,048.56
10/21/2008	Fuel for vessel	1	\$1,177.70	\$1,177.70	\$176.66	\$1,354.36
10/21/2008	Professional Services rendered by attorney Patrick Novak	1	\$15,806.92	\$15,806.92	\$2,371.04	\$18,177.96
10/22/2008	Fuel for vessel	1	\$1,107.81	\$1,107.81	\$166.17	\$1,273.98
10/22/2008	Crew payroll 10/18-24/08	1	\$33,033.00	\$33,033.00	\$4,954.95	\$37,987.95
10/23/2008	Fuel for vessel	1	\$1,145.72	\$1,145.72	\$171.86	\$1,317.58
10/24/2008	Operations assistant to pay crew	2	\$75.00	\$150.00		\$150.00
10/24/2008	Operations Manager negotiation with Port Agent concerning invoice	2	\$125.00	\$250.00		\$250.00
10/24/2008	Generator rental 10/24-10/27/08, cables & fuel	3	\$3,375.04	\$10,125.12	\$1,518.77	\$11,643.89
10/24/2008	Fuel for vessel	1	\$1,211.77	\$1,211.77	\$181.77	\$1,393.54
10/24/2008	Accommodations for out of town US crew Hyatt Place	1	\$5,255.00	\$5,255.00	\$788.25	\$6,043.25
10/25/2008	Fuel for vessel	1	\$891.35	\$891.35	\$133.70	\$1,025.05
10/26/2008	Fuel for vessel	1	\$1,240.23	\$1,240.23	\$186.03	\$1,426.26
10/26/2008	Accommodations for out of town US crew Hyatt Place	1	\$228.40	\$228.40	\$34.26	\$262.66
10/26/2008	Accommodations for out of town US crew Bahia Cabana	1	\$296.37	\$296.37	\$44.46	\$340.83
10/26/2008	Accommodations for out of town US Crew Comfort Suites	1	\$1,455.21	\$1,455.21	\$218.28	\$1,673.49
10/26/2008	Water & tax 10/16/08-10/26/08	1	\$1.99	\$1.99	\$0.30	\$2.29
10/26/2008	Cliff Berry to pump vessel as required by Port Everglades & USCG 10/20/08-10/26/08	1	\$15,749.45	\$15,749.45	\$2,362.42	\$18,111.87
10/27/2008	Operations assistant to pay crew and officially release vessel as directed by United States Marshal Service	3	\$75.00	\$225.00		\$225.00
10/27/2008	Crew payroll 10/25-27/08	1	\$14,157.00	\$14,157.00	\$2,123.55	\$16,280.55
11/1/2008	<b>Sub Total October billing</b>					<b>\$416,656.71</b>
11/1/2008	<b>Interest through 9/30</b>			1.5%		<b>\$9,640.84</b>
<b>TOTAL</b>				<b>\$924,095.73</b>	<b>\$133,754.36</b>	<b>\$1,069,019.89</b>
<b>curring Expenses</b>						
8/23/08-8/30/08	Dockage @ \$1386.81 per/day	9	\$1,386.81	\$12,481.29	\$1,248.13	\$13,729.42
8/23/08-10/03/08	Hull & Crew coverage (\$2 million) month	3	\$14,150.10	\$42,450.30	\$4,245.03	\$46,695.33

Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Island Adventure

# NATIONAL MARITIME SERVICES

1915 SOUTHWEST 21<sup>ST</sup> AVENUE

FORT LAUDERDALE, FLORIDA 33312

TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626

WATS: 800-633-7172

## FINAL INVOICE

Date of Charges: 8/23/08-10/27/08

Bill To: Island Adventure Crew

Type of Vessel: Gambling Cruise ship

66 West Flagler Street, Suite 300  
Miami, FL 33130-1876


Size/NL Stock#: 515' 18903

(305) 377-1910  
(305) 377-1915

Vessel Name: M/V Island adventure

Case # 0:08-cv-61247-Ungaro

10/1/2008	Interest September	1.5%		\$233.48		\$233.48
11/1/2008	Interest October	1.5%		\$466.95		\$466.95
8/23/08-10/27/08	USCG Licensed Watchman (daily)	66	\$425.00	\$28,050.00		\$28,050.00
10/1/2008	Interest September	1.5%		\$248.63		\$248.63
11/1/2008	Interest October	1.5%		\$420.75		\$420.75
8/23/08-10/27/08	Custody fee (daily) (515' x \$.50)	66	\$257.50	\$16,995.00		\$16,995.00
10/1/2008	Interest September	1.5%		\$150.64		\$150.64
11/1/2008	Interest October	1.5%		\$254.93		\$254.93
8/28/08-10/27/08	Port Agency fee (daily)	61	\$200.00	\$12,200.00	\$1,830.00	\$14,030.00
10/1/2008	Interest September	1.5%		\$102.00		\$102.00
11/1/2008	Interest October	1.5%		\$183.00		\$183.00
9/01/08-9/15/08	American Guard (Security Guard) Adjustment	1	\$1,423.50	\$1,423.50	\$213.53	\$1,637.03
11/1/2008	Interest October	1.5%		\$24.56		\$24.56
9/01/08-9/30/08	Dockage @ \$2989.35 per/day	30	\$2,989.35	\$89,680.50	\$8,968.05	\$98,648.55
11/1/2008	Interest October	1.5%		\$1,479.73		\$1,479.73
9/14/08-9/20/08	American Guard (Security Guard) Gate	1	\$3,437.91	\$3,437.91	\$515.69	\$3,953.60
11/1/2008	Interest October	1.5%		\$59.30		\$59.30
9/21/08-9/27/08	American Guard (Security Guard) Gate	1	\$3,055.92	\$3,055.92	\$458.39	\$3,514.31
11/1/2008	Interest October	1.5%		\$52.71		\$52.71
9/28/08-10/04/08	American Guard (Security Guard) Gate	1	\$3,055.92	\$3,055.92	\$458.39	\$3,514.31
10/01/08-10/27/08	Dockage @ \$3143.44 per day	27	\$3,143.44	\$84,872.88	\$8,487.29	\$93,360.17
10/05/08-10/11/08	American Guard (Security Guard) Gate	1	\$3,055.92	\$3,055.92	\$458.39	\$3,514.31
10/12/08-10/18/08	American Guard (Security Guard) Gate	1	\$3,055.92	\$3,055.92	\$458.39	\$3,514.31
10/19/08-10/25/08	American Guard (Security Guard) Gate	1	\$3,201.44	\$3,201.44	\$480.22	\$3,681.66
10/26/08-10/27/08	American Guard (Security Guard) Gate (until 3:00 pm on date of release, 10/27/08, 39 hours @\$17.00 per/hr (awaiting back-up documentation)	1	\$663.00	\$663.00	\$99.45	\$762.45
<b>Recurring Total</b>				<b>\$311,356.17</b>	<b>\$27,920.93</b>	<b>\$339,277.10</b>
<b>Combined Total</b>					<b>\$161,675.28</b>	<b>\$1,408,296.99</b>
<b>Payments</b>						
9/5/2008	Payment for Melvin Vicedo advance payment from Ross Toyne	1	(\$483.13)			(\$483.13)



**NATIONAL MARITIME SERVICES**  
1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312  
TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
WATS: 800-633-7172

**FINAL INVOICE**

Date of Charges
8/23/08-10/27/08

Type of Vessel:
Gambling Cruise ship

Size/NL Stock#:
515' 18903

Vessel Name:
M/V Island adventure


Bill To:
Island Adventure Crew

66 West Flagler Street, Suite 300  
Miami, FL 33130-1876  
(305) 377-1910  
(305) 377-1915  
Case # 0:08-cv-61247-Ungaro

11/7/2008	USMS, check picked up from clerk of the court	1	(\$900,000.00)			(\$900,000.00)
12/9/2008	PAYMENT		(\$300,000.00)			(\$300,000.00)
3/31/2009	Write off as per Accounting					(401.72)
4/7/2009	PAYMENT	1	\$207,412.14			(207,412.14)
<b>Balance</b>						<b>(\$0.00)</b>

Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Yosemite

Date: December 07, 2009							
 <b>NATIONAL MARITIME SERVICES</b> 1915 SOUTHWEST 21 <sup>ST</sup> AVENUE FORT LAUDERDALE, FLORIDA 33312 TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626 WATS: 800-633-7172							
<b>FINAL BILLING</b>							
Date of Charges	8/26/09-11/14/09	Bill To:	Aozora Bank Neil A. Quartaro Watson, Farley & Williams (New York) LLP 1133 Avenue of the Americas, 11th Floor New York, N.Y. 10036 Phone (212) 922-2214 Fax (212) 922-1512 Location: Vancouver, BC				
Type of Vessel:	1985 Bulk Carrier						
Size/NL Stock#:	584' 22023						
Vessel Name:	MV Yosemite						


Date	Description	USD/CDN	Units	Unit cost	Amount	Handling Fees	Amount Billed
7/31/2009	Long Beach Port agent coordination of COFR and other vessel requirements for entering port. (GenSteam) 7/31/09-8/14/09	USD	1	\$1,500.00	\$1,500.00	\$225.00	\$1,725.00
8/17/09	Certificate of Financial Responsibility (COFR) required for transit from Long Beach, CA to Vancouver, BC	USD	1	\$5,000.00	\$5,000.00	\$750.00	\$5,750.00
8/26/09	Mobilization/coordination and transfer of custody (includes all airfare, overnight lodging, per diem.)	USD	1	\$4,000.00	\$4,000.00	\$600.00	\$4,600.00
8/31/09	Launch services in/out to vessel (crew 8/29-31/09), 4 trips	CDN	4	\$162.00	\$648.00	\$97.20	\$745.20
8/25/09	Launch services in/out to vessel (Bill O'Dell)	CDN	1	\$162.00	\$162.00	\$24.30	\$186.30
8/31/09	Courier pkg from Mason agency to NMS	CDN	1	\$54.95	\$54.95	\$8.24	\$63.19
8/31/09	CDN/USD exchange credit (August) Mason agency exchange rate = \$1.03 August charges total \$864.92 CDN, Port agent charges are billed under recurring expenses in USD.	CDN	1	-\$25.95	-\$25.95	-\$3.89	-\$29.84
9/10/09	Hull and machinery/P&I coverage (\$4M), 60 days coverage minimum, after 60 days monthly coverage is \$11,000	USD	1	\$22,000.00	\$22,000.00	\$3,300.00	\$25,300.00
9/17/09	Crew wages (24 crew) for month of August 2009	USD	1	\$51,708.02	\$51,708.02	\$7,756.20	\$59,464.22
9/28/09	Airfare for replacement 3rd Officer, Eric Leekam (Fort Lauderdale, FL to Vancouver)	USD	1	\$648.00	\$648.00	\$97.20	\$745.20
9/28/09	Crew wages (7 crew repatriated, plus Chief Engineer) all wages due.	USD	1	\$113,577.49	\$113,577.49	\$17,036.62	\$130,614.11
9/28/09	Pilotage/Ladysmith to Vancouver anchorage for replenishment and repatriation of crew.	CDN	1	\$2,676.59	\$2,676.59	\$401.49	\$3,078.08
9/28/09	Pilotage/Vancouver anchorage to Ladysmith	CDN	1	\$2,330.97	\$2,330.97	\$349.65	\$2,680.62



Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Yosemite

Date: December 07, 2009



**NATIONAL MARITIME SERVICES**  
1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312  
TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
WATS: 800-633-7172

FINAL BILLING

Date of Charges	8/26/09-11/14/09
Type of Vessel:	1985 Bulk Carrier
Size/NL Stock#:	584' 22023
Vessel Name:	MV Yosemite


Bill To:	Aozora Bank Neil A. Quartaro Watson, Farley & Williams (New York) LLP 1133 Avenue of the Americas, 11th Floor New York, N.Y. 10036 Phone (212) 922-2214 Fax (212) 922-1512 Location: Vancouver, BC
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9/28/09	Harbour dues	CDN	1	\$1,702.18	\$1,702.18	\$255.33	\$1,957.51
9/28/09	Coast guard user fees	CDN	1	\$1,109.70	\$1,109.70	\$166.46	\$1,276.16
9/28/09	Customs entering and clearing (Ladysmith Anchorage)	CDN	1	\$850.00	\$850.00	\$127.50	\$977.50
9/28/09	Customs entering and clearing (Vancouver Anchorage)	CDN	1	\$850.00	\$850.00	\$127.50	\$977.50
9/28/09	Garbage inspection	CDN	1	\$40.00	\$40.00	\$6.00	\$46.00
9/28/09	Security charge	CDN	1	\$350.00	\$350.00	\$52.50	\$402.50
9/28/09	Chamber of shipping assessment	CDN	1	\$275.00	\$275.00	\$41.25	\$316.25
9/29/09	Launch for load & deliver of provisions	CDN	1	\$2,000.00	\$2,000.00	\$300.00	\$2,300.00
9/29/09	Launch for agent, surveyor, inspectors, officers. Fresh water A/B & A/S	CDN	1	\$13,002.00	\$13,002.00	\$1,950.30	\$14,952.30
9/29/09	ACI charges	CDN	1	\$250.00	\$250.00	\$37.50	\$287.50
9/29/09	Supply of ship provisions	USD	1	\$7,289.97	\$7,289.97	\$1,093.50	\$8,383.47
9/29/09	Supply of ship provisions/supplies	USD	1	\$1,041.27	\$1,041.27	\$156.19	\$1,197.46
9/29/09	Supply of marine diesel fuel (30.166 MT)	USD	1	\$27,630.85	\$27,630.85	\$4,144.63	\$31,775.48
9/29/09	Removal of bilge water and sewage	CDN	1	\$16,384.50	\$16,384.50	\$2,457.68	\$18,842.18
9/29/09	Removal of waste	CDN	1	\$543.50	\$543.50	\$81.53	\$625.03
9/29/09	Mason agency service to arrange for removal of waste from vessel	CDN	1	\$100.00	\$100.00	\$15.00	\$115.00
9/17/09	Launch for Mark Sillandpaa (crews wages)	CDN	1	\$169.00	\$169.00	\$25.35	\$194.35
9/19/09	Launch for 3 crew to go into town for provisions	CDN	1	\$253.00	\$253.00	\$37.95	\$290.95
9/4/09	Launch for crew to go ashore (9/01-04/09) 8 trips	CDN	8	\$169.00	\$1,352.00	\$202.80	\$1,554.80
9/30/09	Crew transport for replacement C/E	CDN	1	\$119.70	\$119.70	\$17.96	\$137.66
9/17/09	Mason agency fee to arrange for cash to master of USD \$51,708.02	CDN	1	\$837.78	\$837.78	\$125.67	\$963.45
9/28/09	Mason agency to arrange for cash to master of USD \$113,577.49) 9/28-29/09	CDN	1	\$1,626.61	\$1,626.61	\$243.99	\$1,870.60

Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Yosemite

Date: December 07, 2009



**NATIONAL MARITIME SERVICES**  
1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312  
TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
WATS: 800-633-7172

FINAL BILLING

Date of Charges	8/26/09-11/14/09	Bill To:	Aozora Bank Neil A. Quartaro Watson, Farley & Williams (New York) LLP 1133 Avenue of the Americas, 11th Floor New York, N.Y. 10036 Phone (212) 922-2214 Fax (212) 922-1512 Location: Vancouver, BC
Type of Vessel:	1985 Bulk Carrier		
Size/NL Stock#:	584' 22023		
Vessel Name:	M/V Yosemite		

9/28/09	Escort service for crew joined and signed off	CDN	1	\$230.00	\$230.00	\$34.50	\$264.50
9/28/09	Immigration clearance (1 crew joined on 9/28)	CDN	1	\$80.00	\$80.00	\$12.00	\$92.00
9/28/09	Immigration clearance (7 crew signed off)	CDN	1	\$560.00	\$560.00	\$84.00	\$644.00
9/30/09	Ships sanitation certificate	CDN	1	\$937.50	\$937.50	\$140.63	\$1,078.13
9/30/09	Mason agency fee to arrange for ship sanitation certificate	CDN	1	\$60.00	\$60.00	\$9.00	\$69.00
9/30/09	Postage and Petties	CDN	1	\$275.00	\$275.00	\$41.25	\$316.25
9/30/09	Auto for agents to attend vessel	CDN	1	\$150.00	\$150.00	\$22.50	\$172.50
9/30/09	Staff agents overtime	CDN	1	\$150.00	\$150.00	\$22.50	\$172.50
9/30/09	Sub-agents arr/dep formalities & communications	CDN	1	\$178.00	\$178.00	\$26.70	\$204.70
9/30/09	Rental of mobile phone (604-789-6323)	CDN	30	\$25.00	\$750.00	\$112.50	\$862.50
9/30/09	Airtime & L/D charges on mobile phone	CDN	1	\$732.52	\$732.52	\$109.88	\$842.40
9/30/09	Long distance calls & fax for September to NMS	CDN	1	\$53.13	\$53.13	\$7.97	\$61.10
9/30/09	Shore to ship INMARSAT, TELEX, EMAIL USAGE, AGENTS MOBILE PHONE	CDN	1	\$350.00	\$350.00	\$52.50	\$402.50
9/30/09	Local courier (September)	CDN	1	\$56.03	\$56.03	\$8.40	\$64.43
9/30/09	Overseas courier to EASTWIND, Greece. Documents required for vessel.	CDN	1	\$69.95	\$69.95	\$10.49	\$80.44
9/28/09	Additional insurance for vessel transit to/from Vancouver Harbor for provisioning and repatriation.	USD	1	\$5,000.00	\$5,000.00	\$750.00	\$5,750.00
9/29/09	Repatriation air fare, TUN/YAR ZAR THET	USD	1	\$1,241.00	\$1,241.00	\$186.15	\$1,427.15
9/29/09	Repatriation air fare, WIN/KYAW	USD	1	\$1,241.00	\$1,241.00	\$186.15	\$1,427.15
9/29/09	Repatriation air fare, KOI/AYE	USD	1	\$1,241.00	\$1,241.00	\$186.15	\$1,427.15
9/29/09	Repatriation air fare, AUNG/WIN	USD	1	\$1,241.00	\$1,241.00	\$186.15	\$1,427.15
9/29/09	Repatriation air fare, LWIN/MYO	USD	1	\$1,241.00	\$1,241.00	\$186.15	\$1,427.15
9/29/09	Repatriation air fare, KYAW/MOE	USD	1	\$1,241.00	\$1,241.00	\$186.15	\$1,427.15

Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Yosemite

Date: December 07, 2009

  
**NATIONAL MARITIME SERVICES**  
1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312  
TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
WATS: 800-633-7172

**FINAL BILLING**

Date of Charges: 8/26/09-11/14/09  
Type of Vessel: 1985 Bulk Carrier  
Size/NL Stock#: 584' 22023  
Vessel Name: M/V Yosemite

Bill To: Aozora Bank  
Neil A. Quartaro  
Watson, Farley & Williams (New York) LLP  
1133 Avenue of the Americas, 11th Floor  
New York, N.Y. 10036  
Phone (212) 922-2214  
Fax (212) 922-1512  
Location: Vancouver, BC

9/29/09	Repatriation air fare, THEIN/KYAW	USD	1	\$1,241.00	\$1,241.00	\$186.15	\$1,427.15
9/30/09	CDN/USD exchange credit (September) Mason agency exchange rate = \$1.02. September charges total \$84,417.25. Port agent charges are billed under recurring expenses in USD.	CDN	1	-\$1,748.35	-\$1,748.35	-\$262.25	-\$2,010.60
10/1/09	Harbour dues (October)	CDN	1	\$1,702.18	\$1,702.18	\$255.33	\$1,957.51
10/1/09	Coast guard user fees (October)	CDN	1	\$1,109.70	\$1,109.70	\$166.46	\$1,276.16
10/1/09	Customs entering and clearing (October)	CDN	1	\$850.00	\$850.00	\$127.50	\$977.50
10/1/09	Garbage inspection (October)	CDN	1	\$40.00	\$40.00	\$6.00	\$46.00
10/1/09	Security charge (October)	CDN	1	\$350.00	\$350.00	\$52.50	\$402.50
10/9/09	Launch for 1/E to see doctor ashore	CDN	1	\$334.00	\$334.00	\$50.10	\$384.10
10/12/09	Launch for new C/E to join ship	CDN	1	\$167.00	\$167.00	\$25.05	\$192.05
10/14/09	Launch for crew wages courier	CDN	1	\$167.00	\$167.00	\$25.05	\$192.05
10/15/09	Launch for outgoing C/E	CDN	1	\$167.00	\$167.00	\$25.05	\$192.05
10/19/09	Launch for crew shore leave	CDN	1	\$167.00	\$167.00	\$25.05	\$192.05
10/20/09	Launch for crew shore leave	CDN	1	\$167.00	\$167.00	\$25.05	\$192.05
10/22/09	Launch for crew shore leave	CDN	1	\$167.00	\$167.00	\$25.05	\$192.05
10/23/09	Launch for crew shore leave 10/23-24/09	CDN	2	\$167.00	\$334.00	\$50.10	\$384.10
10/25/09	Launch for crew shore leave	CDN	1	\$167.00	\$167.00	\$25.05	\$192.05
10/15/09	ACI charge (October)	CDN	1	\$250.00	\$250.00	\$37.50	\$287.50
10/15/09	Sub-agent(Nanaimo) crew transport fee (off-signing C/E)	CDN	1	\$112.50	\$112.50	\$16.88	\$129.38
10/15/09	Mason agency service to arrange cash to master for crew wages	CDN	1	\$852.30	\$852.30	\$127.85	\$980.15
10/1/09	Chamber of shipping assessment fee (October)	CDN	1	\$275.00	\$275.00	\$41.25	\$316.25
10/2/09	Class NK invoice for class certificate of vessel	USD	1	\$2,407.00	\$2,407.00	\$361.05	\$2,768.05
10/9/09	Crews wages for month of September 2009	USD	1	\$35,047.90	\$35,047.90	\$5,257.19	\$40,305.09

Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Yosemite

Date: December 07, 2009

  
**NATIONAL MARITIME SERVICES**  
1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312  
TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
WATS: 800-633-7172

**FINAL BILLING**

Date of Charges: 8/26/09-11/14/09  
Type of Vessel: 1985 Bulk Carrier  
Size/NL Stock#: 584' 22023  
Vessel Name: M/V Yosemite

Bill To: Aozora Bank  
Neil A. Quartaro  
Watson, Farley & Williams (New York) LLP  
1133 Avenue of the Americas, 11th Floor  
New York, N.Y. 10036  
Phone (212) 922-2214  
Fax (212) 922-1512  
Location: Vancouver, BC

10/12/09	Airfare for replacement C/E, Fidel Cruz (Jacksonville, FL to Vancouver)	USD	1	\$783.15	\$783.15	\$117.47	\$900.62
10/12/09	Airfare for new C/E (Vancouver to Nanaimo) Fidel Cruz, arranged by Mason agency	CDN	1	\$431.55	\$431.55	\$64.73	\$496.28
10/15/09	Immigration clearance for new C/E	CDN	1	\$80.00	\$80.00	\$12.00	\$92.00
10/9/09	Medical fees for 1/E	CDN	1	\$64.50	\$64.50	\$9.68	\$74.18
10/9/09	Mason agency fees to arrange for medical services for 1/E	CDN	1	\$80.00	\$80.00	\$12.00	\$92.00
10/10/09	Rental of mobile phone to vessel (October)	CDN	31	\$25.00	\$775.00	\$116.25	\$891.25
10/15/09	Chief Engineers October wages	CDN	1	\$3,450.35	\$3,450.35	\$517.55	\$3,967.90
10/15/09	Repatriation airfare for Chief Engineer, Kyi	CDN	1	\$1,613.00	\$1,613.00	\$241.95	\$1,854.95
10/19/09	Airtime & L/D phone bill for vessel (crew), (October)	CDN	1	\$83.72	\$83.72	\$12.56	\$96.28
10/19/09	L/D and FAX (October)	CDN	1	\$44.40	\$44.40	\$6.66	\$51.06
10/19/09	Shore to ship INMARSAT, TELEX, EMAIL usage, agents mobile phone (October)	CDN	1	\$350.00	\$350.00	\$52.50	\$402.50
10/19/09	Local courier (October)	CDN	1	\$17.24	\$17.24	\$2.59	\$19.83
10/19/09	Overseas courier to National Maritime (Crew wage assignments) (October)	CDN	1	\$62.45	\$62.45	\$9.37	\$71.82
10/30/09	Sales commission of 3% of gross sale (\$6M) USD	USD	1	\$180,000.00	\$180,000.00		\$180,000.00
10/31/09	CDN/USD exchange credit (October) Mason agency exchange rate = \$1.02. October charges total \$9367.24, Port agent charges are billed under recurring expenses in USD.	CDN	1	-\$187.34	-\$187.34	-\$28.10	-\$215.44
11/1/09	Harbour dues (November)	CDN	1	\$1,702.18	\$1,702.18	\$255.33	\$1,957.51
11/1/09	Coast Guard user fees (November)	CDN	1	\$1,109.70	\$1,109.70	\$166.46	\$1,276.16
11/1/09	Customs entering and clearing (November)	CDN	1	\$850.00	\$850.00	\$127.50	\$977.50
11/1/09	Garbage inspection (November)	CDN	1	\$40.00	\$40.00	\$6.00	\$46.00



Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Yosemite

Date: December 07, 2009

  
**NATIONAL MARITIME SERVICES**  
1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312  
TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
WATS: 800-633-7172

**FINAL BILLING**

Date of Charges: 8/26/09-11/14/09  
Type of Vessel: 1985 Bulk Carrier  
Size/NL Stock#: 584' 22023  
Vessel Name: MV Yosemite

Bill To: Aozora Bank  
Neil A. Quartaro  
Watson, Farley & Williams (New York) LLP  
1133 Avenue of the Americas, 11th Floor  
New York, N.Y. 10036  
Phone (212) 922-2214  
Fax (212) 922-1512  
Location: Vancouver, BC

11/1/09	Security charge (November)	CDN	1	\$350.00	\$350.00	\$52.50	\$402.50
11/13/09	Launch for courier superintendent, crew A/B & A/S	CDN	1	\$1,207.00	\$1,207.00	\$181.05	\$1,388.05
11/14/09	Escort guard service for repatriation of crew	CDN	1	\$680.00	\$680.00	\$102.00	\$782.00
11/14/09	Immigration for off-signing crew (3), watchman, 3rd Officer, Chief Engineer	CDN	1	\$240.00	\$240.00	\$36.00	\$276.00
11/14/09	Immigration for off-signing crew (16)	CDN	1	\$1,280.00	\$1,280.00	\$192.00	\$1,472.00
11/1/09	ACI charge (November)	CDN	1	\$250.00	\$250.00	\$37.50	\$287.50
11/13/09	Mason agency service to arrange cash to master for crew wages	CDN	1	\$2,802.84	\$2,802.84	\$420.43	\$3,223.27
11/13/09	Bank loan to arrange for cash for crew wages	CDN	1	\$510.00	\$510.00	\$76.50	\$586.50
11/1/09	Chamber of shipping assessment fee (November)	CDN	1	\$275.00	\$275.00	\$41.25	\$316.25
11/14/09	Rental of mobile phone to vessel (November)	CDN	13	\$25.00	\$325.00	\$48.75	\$373.75
11/14/09	L/D \$ FAX (November)	CDN	1	\$176.57	\$176.57	\$26.49	\$203.06
11/14/09	Shore to ship INMARSAT, TELEX, EMAIL usage, agents mobile phone (November)	CDN	1	\$200.00	\$200.00	\$30.00	\$230.00
11/14/09	Local courier (November)	CDN	1	\$17.24	\$17.24	\$2.59	\$19.83
11/3/09	Vancouver Sun Advertisement of sale of MV Yosemite	CDN	1	\$5,374.53	\$5,374.53	\$806.18	\$6,180.71
11/3/09	AMEX payment for Vancouver Sun Advertisement of sale of MV Yosemite, USD/CDN exchange rate. AMEX billed \$5209.65 ON 11/04/09. \$5374.53 - \$5209.65 = \$164.88	CDN	1	-\$164.88	-\$164.88	-\$24.73	-\$189.61
11/3/09	Lloyds list advertisement of sale of MV Yosemite	USD	1	\$3,500.00	\$3,500.00	\$525.00	\$4,025.00
11/3/09	Valuation Survey scheduled and conducted as per court order	USD	1	\$4,000.00	\$4,000.00	\$600.00	\$4,600.00

Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Yosemite

Date: December 07, 2009

  
**NATIONAL MARITIME SERVICES**  
1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312  
TELEPHONE: (954) 751-9601 FACSIMILE: (888) 611-4626  
WATS: 800-633-7172

**FINAL BILLING**

Date of Charges: 8/26/09-11/14/09  
Type of Vessel: 1985 Bulk Carrier  
Size/NL Stock#: 584' 22023  
Vessel Name: MV Yosemite


Bill To: Aozora Bank  
Neil A. Quartaro  
Watson, Farley & Williams (New York) LLP  
1133 Avenue of the Americas, 11th Floor  
New York, N.Y. 10036  
Phone (212) 922-2214  
Fax (212) 922-1512  
Location: Vancouver, BC

11/13/09	Crews wages (prior to arrest, January - July 2009) plus month of October and six (6) days in November 2009 as per bank/attorneys instructions..	USD	1	\$205,830.00	\$205,830.00	\$30,874.50	\$236,704.50
11/13/09	Watchman to coordinate crew payday and pay assignment sheets.	USD	1	\$425.00	\$425.00	\$63.75	\$488.75
11/14/09	Repatriation airfare for, ZAW THANT MASTER	USD	1	\$1,351.00	\$1,351.00	\$202.65	\$1,553.65
11/14/09	Repatriation airfare for, OO, MOE KYAW C/O	USD	1	\$1,351.00	\$1,351.00	\$202.65	\$1,553.65
11/14/09	Repatriation airfare for, ZIN THANT 2/O	USD	1	\$1,351.00	\$1,351.00	\$202.65	\$1,553.65
11/14/09	Repatriation airfare, TIN U THAN 1A/E	USD	1	\$1,552.17	\$1,552.17	\$232.83	\$1,785.00
11/14/09	Repatriation airfare for, LWIN KHIN MAUNG 2A/E	USD	1	\$1,552.17	\$1,552.17	\$232.83	\$1,785.00
11/14/09	Repatriation airfare for, THET CHIT OO 3A/E	USD	1	\$1,552.17	\$1,552.17	\$232.83	\$1,785.00
11/14/09	Repatriation airfare for, NGWE PHONE OLR	USD	1	\$1,229.17	\$1,229.17	\$184.38	\$1,413.55
11/14/09	Repatriation airfare for, AUNG SAN HTAY OLR	USD	1	\$1,229.17	\$1,229.17	\$184.38	\$1,413.55
11/14/09	Repatriation airfare for, NAING TINT FTR/WLDR	USD	1	\$1,229.17	\$1,229.17	\$184.38	\$1,413.55
11/14/09	Repatriation airfare for, MYINT U YE BSN	USD	1	\$1,216.37	\$1,216.37	\$182.46	\$1,398.83
11/14/09	Repatriation airfare for, WIN AUNG AUNG A/B	USD	1	\$1,216.37	\$1,216.37	\$182.46	\$1,398.83
11/14/09	Repatriation airfare for, TOE MINN KYAW A/B	USD	1	\$1,216.37	\$1,216.37	\$182.46	\$1,398.83
11/14/09	Repatriation airfare for, NYUNT KAN O/S	USD	1	\$1,216.37	\$1,216.37	\$182.46	\$1,398.83
11/14/09	Repatriation airfare for, KYAW PAING SOE O/S	USD	1	\$1,216.37	\$1,216.37	\$182.46	\$1,398.83
11/14/09	Repatriation airfare for, OO MYINT LWIN O/S	USD	1	\$1,216.37	\$1,216.37	\$182.46	\$1,398.83
11/14/09	Repatriation airfare for, MIN KYAW STWD	USD	1	\$1,216.37	\$1,216.37	\$182.46	\$1,398.83
11/14/09	Replacement C/E airfare home	USD	1	\$575.00	\$575.00	\$86.25	\$661.25
11/14/09	Replacement 3rd Officer airfare home	USD	1	\$575.00	\$575.00	\$86.25	\$661.25
11/14/09	Watchman airfare home	USD	1	\$575.00	\$575.00	\$86.25	\$661.25

Exhibit 1-B (continued)

Example of "Cost to Arrest" ~ Yosemite

Date: December 07, 2009



**NATIONAL MARITIME SERVICES**  
1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
FORT LAUDERDALE, FLORIDA 33312  
TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
WATS: 800-633-7172

FINAL BILLING

Date of Charges8/26/09-11/14/09

Type of Vessel:1985 Bulk Carrier

Size/NL Stock#:584' 22023


Vessel Name:M/V Yosemite

Bill To:

Aozora Bank  
Neil A. Quartaro  
Watson, Farley & Williams (New York) LLP  
1133 Avenue of the Americas, 11th Floor  
New York, N.Y. 10036  
Phone (212) 922-2214  
Fax (212) 922-1512  
Location: Vancouver, BC

11/14/09	CDN/USD exchange credit (November) Mason agency exchange rate = \$1.02. November charges total \$9367.24, Port agent charges are billed under recurring expenses in USD.	CDN	1	-\$245.11	-\$245.11	-\$36.77	-\$281.88
TOTAL IN USD							\$875,153.37
Recurring Expenses							
8/26/09-8/31/09	Watchman (\$425.00 per/day)	USD	6	\$425.00	\$2,550.00		\$2,550.00
9/01/09-9/30/09	Watchman (\$425.00 per/day)	USD	30	\$425.00	\$12,750.00		\$12,750.00
10/1/09-10/31/09	Watchman (\$425.00 per/day)	USD	31	\$425.00	\$13,175.00		\$13,175.00
11/01/09-11/06/09	Watchman (\$425.00 per/day)	USD	6	\$425.00	\$2,550.00		\$2,550.00
9/28/2009-11/06/09	3rd officer replacement, Eric Leekam	USD	40	\$93.33	\$3,733.20	\$559.98	\$4,293.18
10/12/09-11/06/09	C/E replacement, Fidel Cruz	USD	26	\$231.33	\$6,014.58	\$902.19	\$6,916.77
8/26/09-8/31/09	Custody Fee (\$5.00 per/ft per/day)	USD	6	\$292.00	\$1,752.00		\$1,752.00
9/01/09-9/30/09	Custody Fee (\$5.00 per/ft per/day)	USD	30	\$292.00	\$8,760.00		\$8,760.00
10/1/09-10/31/09	Custody Fee (\$5.00 per/ft per/day)	USD	31	\$292.00	\$9,052.00		\$9,052.00
11/01/09-11/06/09	Custody Fee (\$5.00 per/ft per/day)	USD	6	\$292.00	\$1,752.00		\$1,752.00
8/26/09-8/31/09	Port agent fees (daily)	USD	6	\$200.00	\$1,200.00	\$180.00	\$1,380.00
9/01/09-9/30/09	Port agent fees (daily)	USD	30	\$200.00	\$6,000.00	\$900.00	\$6,900.00
10/1/09-10/31/09	Port agent fees (daily)	USD	31	\$200.00	\$6,200.00	\$930.00	\$7,130.00
11/01/09-11/06/09	Port agent fees (daily)	USD	6	\$200.00	\$1,200.00	\$180.00	\$1,380.00
11/14/09	Port agent to coordinate repatriation of off-signing crew (11/13-14/09)	USD	2	\$200.00	\$400.00	\$60.00	\$460.00
Recurring Total in USD							\$80,800.95
Combined Total in USD							\$955,954.32
Balance in USD							\$955,954.32
	Finance charge		0.000	0.000	1.5%		\$0.00
Sub Total in USD							\$955,954.32

Date: December 07, 2009



**NATIONAL MARITIME SERVICES**  
 1915 SOUTHWEST 21<sup>ST</sup> AVENUE  
 FORT LAUDERDALE, FLORIDA 33312  
 TELEPHONE: (954) 791-9601 FACSIMILE: (888) 611-4626  
 WATS: 800-633-7172

Date of Charges

8/26/09-11/14/09

Type of Vessel:

1985 Bulk Carrier

Size/NL Stock#:

584' 22023

Vessel Name:

M/V Yosemite

Bill To:

Aozora Bank  
 Neil A. Quartaro  
 Watson, Farley & Williams (New York) LLP  
 1133 Avenue of the Americas, 11th Floor  
 New York, N.Y. 10036  
 Phone (212) 922-2214  
 Fax (212) 922-1512  
 Location: Vancouver, BC

Payment in USD							
8/3/2009	Watson Farley Williams, NY, NY	USD	1	(\$30,490.00)	(\$30,490.00)		(\$30,490.00)
9/29/2009	Watson Farley Williams, NY, NY	USD	1	(\$97,508.01)	(\$97,508.01)		(\$97,508.01)
11/6/2009	Watson Farley Williams, NY, NY	USD	1	(\$250,050.08)	(\$250,050.08)		(\$250,050.08)
1/1/2010	Borden Lasner Gervais LLP	USD	1	(\$577,881.23)	(\$577,881.23)		(\$577,881.23)
							(\$25.00)
Grand Total Due USD							(\$0.00)

Exhibit 1-C

**Arrest Checklist**

	<b>Document/Action</b>	<b>Time Frame</b>
	Civil Cover Sheet	Initial filing
	Check to Clerk of Court (new matter)	
	Verified Complaint	
	Summons(es) (for each in personam defendant)	
	Motion for Appointment of Sub. Custodian	
	Consent and Indemnification Agreement	
	Affidavit of Sub. Custodian	
	Order Appointing Sub. Custodian	
	Order Directing Issuance of Warrant (cert)	After Judge signs Order
	Warrant of Arrest In Rem (need certified copies for Marshal)	
	Check for Marshal's fee (\$2500, verify)	
	Provide copy of Complaint to Recorded Lienholders	w/in 10 days
	Notice of Action In Rem (form 7)-publish	17 days after arrest: LAR C(4)(a)
	Notice of Filing Proof of Publication (w/publication) of each county per Rules [vessel/action pending]	w/in 10 days after publication (ask paper to send copy) LAR C(4)(b)
	Motion for Clerk's entry of Default Against Vessel	30 days after arrest; no claim LAR C(8)
	Motion for FJ/Sale after Default (and deficiency prayer after sale, plus fees, if applicable)	w/in 30 days from default
	Order Granting FJ/Sale of Vessel	
	3 Cert. copies Order to Marshal to get sale scheduled and published	
	Follow Up with Marshal approx 30 days later if no sale date set or no notice of sale received	
	Request for Confirmation of Sale SDF 10	3 working days after sale or Marshal's invoice if no objections
	Confirmation of Sale SDF 11(certified copies)	
	Marshal's Bill of Sale (original and certified copy)	Provide to client or keep for re-documentation
	Motion for Deficiency Judgment Against In Personam Defendants (if applicable)	
	Affidavit in Support of Deficiency Judgment	
	Order Granting Deficiency Judgment	In compliance w/fj statutes