

TRADEMARK ASSIGNMENT

Electronic Version v1.1
 Stylesheet Version v1.1

SUBMISSION TYPE:	NEW ASSIGNMENT
NATURE OF CONVEYANCE:	Asset Purchase Agreement

CONVEYING PARTY DATA

Name	Formerly	Execution Date	Entity Type
Foothill Capital Corporation		06/19/2002	CORPORATION: CALIFORNIA

RECEIVING PARTY DATA

Name:	UNITED HEAVY B.V.
Street Address:	Haaksbergweg 13/Suite 3
City:	Amsterdam Zuidoost
State/Country:	NETHERLANDS
Postal Code:	1101 BP
Entity Type:	CORPORATION: NETHERLANDS

PROPERTY NUMBERS Total: 7

Property Type	Number	Word Mark
Registration Number:	2270658	F & G
Registration Number:	2418661	F&G
Registration Number:	2472710	F&G
Registration Number:	2281142	FRIEDE & GOLDMAN
Registration Number:	2418662	FRIEDE & GOLDMAN
Registration Number:	2418663	FRIEDE & GOLDMAN
Registration Number:	2599753	SMART WINCH

CORRESPONDENCE DATA

Fax Number: (713)238-7343
Correspondence will be sent via US Mail when the fax attempt is unsuccessful.
 Phone: 713/220-4192
 Email: pat-tmk@andrewskurth.com
 Correspondent Name: John Sparacino/ Andrews Kurth LLP
 Address Line 1: 600 Travis, Suite 4200
 Address Line 4: Houston, TEXAS 77002

CH \$190.00 2270658

ATTORNEY DOCKET NUMBER:

FRIEDE

DOMESTIC REPRESENTATIVE

Name:
Address Line 1:
Address Line 2:
Address Line 3:
Address Line 4:

NAME OF SUBMITTER:

John Sparacino

Signature:

/John Sparacino-eventt/

Date:

02/23/2007

Total Attachments: 35

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MARLENE J. McNEEDY
CLERK

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF MISSISSIPPI
BILOXI DIVISION

IN RE: FRIEDE GOLDMAN HALTER, INC.,
et al., Jointly Administered

Jointly Administered Under _____ DEPUTY
CASE NO. 01-52173 SEG

**ORDER GRANTING MOTION FOR
ORDER AUTHORIZING CERTAIN DEBTORS TO (I) SELL ASSETS AND TO
ASSUME, ASSIGN AND SELL CERTAIN EXECUTORY CONTRACTS
AND UNEXPIRED LEASES THAT RELATE THERETO FREE AND
CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES, AND INTERESTS; AND (II) TO
ESTABLISH CURE AMOUNTS RELATED TO ASSUMED AND ASSIGNED
EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

There came on for consideration on May 22, 2002 the Motion for Order Authorizing Certain Debtors to (i) Sell Assets and to Assume, Assign, and Sell Certain Executory Contracts and Unexpired Leases That Relate Thereto Free and Clear of All Liens, Claims, Encumbrances, and Interests and (ii) to Establish Cure Amounts Related to Assumed and Assigned Executory Contracts and Unexpired Leases ("Motion") filed by Friede Goldman Halter, Inc. ("FGH"), Friede & Goldman Ltd. ("FGL") and certain of their subsidiaries and affiliates (collectively, the "Selling Debtors") pursuant to 11 U.S.C. Sections 105, 363, 365, 1107, 1108, and 1146 ("Motion"), and the Objection and Supplemental Objection to the Motion (collectively, the "PPL Objection") filed by PPL Shipyard Pte Ltd. ("PPL") in the above, jointly administered Chapter 11 proceeding. The Court, being fully advised in the premises and having considered the Motion, the Notice thereof, and the agreements reached among the parties, hereby find as follows:

1. This Court has jurisdiction to hear and determine the Motion pursuant to 28 U.S.C. §§ 157 and 1334, and 11 U.S.C. §§ 105, 363, 365, 1107, 1108, and 1146, and the Standing Order of Reference in this District; this matter is a core proceeding pursuant to 28 U.S.C. §§ 157(b)(2)(B) and (M); proper, timely, adequate, and sufficient notice of the Motion (and the sale of substantially all of the assets of the Selling Debtors anticipated

therein¹) has been provided in accordance with the United States Bankruptcy Code (11 U.S.C. § 101 et seq.) (the "Bankruptcy Code") and the Federal Rules of Bankruptcy Procedure, including Rules 2002, 6004, 6006 and 9014 and Orders of this Court including the Order Approving Emergency Motion to (i) Establish Bidding Procedures and Approve Break-up Fee in Connection With Solicitation of Higher or Better Offers for Sale of Certain Assets (ii) Approve Form, Manner, Scope, and Substance of Notice Thereof and (iii) Set Time, Date, and Location of Hearing and Objection Deadline ("Procedures Order") entered on April 19, 2002.

2. No other or further notice of the Motion or the entry of this Order is necessary.

3. A reasonable opportunity to object or to be heard regarding the requested relief, or to make a higher and better offer to acquire the Assets of the Selling Debtors, as such Assets are described in the Motion and the Asset Purchase Agreement, as amended ("APA"), has been afforded to all interested persons and entities.²

4. As evidenced by the agreements of the Selling Debtors, PPL and United Heavy B.V. or its designees ("United" or "Buyer") contained herein, the PPL Objection has been resolved and is withdrawn based on those agreements. All other objections to the Motion not resolved by the terms of this Order or withdrawn, waived or settled and all reservations of rights included therein are hereby overruled and denied.

¹For purposes of clarification, FGH and certain of FGH's subsidiaries and affiliates are not selling assets of any significant value. Rather, FGH and those certain subsidiaries and affiliates are parties to certain executory contracts and/or unexpired leases that will be assumed and assigned to Buyer (defined hereafter) or are the record owner of certain Property (as defined in the APA) that will be transferred to Buyer, and as a result, FGH and those certain subsidiaries and affiliates are signatories to the APA (defined hereinafter).

²To the extent of any inconsistency between the Motion and the APA, the APA as approved by this Order will control as to the Assets to be sold and the executory contracts and unexpired leases to be assumed and assigned.

5. The Motion was duly and properly served on all required persons and entities, including all parties claiming any interest in the Assets (or any portion thereof) and parties to executory contracts and unexpired leases to be assumed and assigned, and any and all such parties in interest have received proper, timely, adequate and sufficient notice of same under the circumstances or otherwise had actual notice of these proceedings. The Motion and Notice thereof provided adequate information in sufficient detail to allow creditors and parties-in-interest to make an informed decision regarding the merits of the sale and the assumptions and assignments proposed therein.

6. The overbid offer of United Heavy to purchase the Assets pursuant to the APA is the highest and best offer received by the Selling Debtors for the Assets after a period of active solicitation and negotiation by the Selling Debtors to sell the Assets.

7. The APA is the result of arm's-length, good-faith negotiations between the Selling Debtors and United. United is a purchaser acting in good faith, as that term is utilized in Section 363(m) of the Bankruptcy Code, and is not an insider, as that term is defined in section 101(31) of the Bankruptcy Code. United has no common shareholders with the Selling Debtors. A sale to United will not be a merger or continuation of the Selling Debtors' businesses.

8. United is a ready, willing and financially capable buyer for the Assets and is able to consummate the purchase of the Assets. The transaction is for cash, with no financing contingencies. United is financially capable of consummating the APA and satisfying all future obligations under the executory contracts and unexpired leases to be assumed and assigned. United has provided adequate assurance of future performance, and the executory contracts and unexpired leases may be assumed and assigned. United shall pay

the "cure" amounts set forth in Exhibit "B" to the Motion or as otherwise agreed to between United and parties to executory contracts and unexpired leases.

9. The provisions of the Bankruptcy Code, including, without limitation, the provisions of sections 363(b), 363(c)(1), 363(f) and 365 of the Bankruptcy Code, have been complied with as to the proposed sale of the Assets and the assumption and assignment of the executory contracts and unexpired leases proposed in the Motion.

10. The Selling Debtors have advanced sound business reasons for seeking to sell the Assets outside of the ordinary course of business, including reasons for the sale of the Assets as a whole, rather than sale of portions thereof to different persons, and it is a reasonable exercise of the Selling Debtors' business judgment to enter into the sale of the Assets as defined in the APA and to take all additional actions necessary or required to execute, deliver and perform their obligations under the APA and the terms, conditions and provisions of this Order. Moreover, good cause exists for selling the Assets by way of motion rather than through a plan of reorganization or liquidation since, among other reasons, the delays associated with a disclosure statement and plan may jeopardize the proposed sale to United. The proposed sale outside of a plan context is warranted in this case in that the proposed sale does not "restrict any creditors' rights to vote on a plan, does not dictate any terms of any future plan, does not provide for the release of claims by any party, and does not restrict any other party from pursuing any causes of action it may have against the Debtor." *United Steel Workers v. Condere Corp.* (U.S. District Court for the Southern District of Mississippi, Judge Bramlette, 1999) (unpublished opinion). Under the proposed sale, the Selling Debtors have no obligations to prepare a plan meeting certain terms and conditions. Moreover, any creditor or party-in-interest may still have an opportunity to object to any plan.

11. The total consideration to be realized by the Selling Debtors pursuant to the Motion and APA is fair and reasonable, and the transactions contemplated by the Motion and the APA are in the best interest of the Selling Debtors' estates.

12. A valid business purpose therefore exists for the approval of the transactions proposed in the Motion and contemplated by the APA pursuant to sections 363(b), 363(c)(1), 363(f) and 365 of the Bankruptcy Code.

13. In the absence of a stay pending appeal, the Selling Debtors and United will be acting in good faith pursuant to section 363(m) of the Bankruptcy Code in closing the transactions contemplated by the APA immediately upon entry of this Order, and in all events, no later than Closing Date set forth in the APA, or at such other time as the Selling Debtors and United may mutually agree in accordance with the APA (the "Closing").

14. The proposed sale to United at Closing will be a legal, valid and effective transfer of the Assets for reasonably equivalent value and fair consideration. Upon Closing, United will acquire all of the Assets free and clear of all mortgages, liens, assessments, claims, encumbrances, obligations, liabilities, contractual commitments, taxes, charges, claims (including tort and product liability claims), warranty claims, interest, damages, and other interests or matter of any kind or nature that could be asserted against a purchaser of assets or assets, except as otherwise stated in the APA (collectively, "Interests"). United shall not be subject to any liability by reason of the purchase under any state, territorial or federal law, including liability for any matter relating to the Assets as a successor transferee.

IT IS, THEREFORE ORDERED, ADJUDGED AND DECREED as follows:

1. The Motion should be, and hereby is, granted and approved in all respects subject to the terms, conditions and provisions of this Order.

2. Pursuant to sections 363(b), 363(c)(1), 363(f) and 365 of the Bankruptcy Code, the APA and the transactions contemplated therein be, and hereby are, approved in all respects, and the Selling Debtors be, and hereby are, authorized, empowered and directed to execute and deliver all documents necessary to perform their obligations under the APA and this Order, and to take such actions as are reasonably necessary to effectuate the Closing thereunder.

3. At Closing, the Selling Debtors, PPL and United, including its parent corporation, OAO United Heavy Machinery, are authorized and directed to execute and deliver the Novation Agreement in substantially the form attached hereto as Exhibit "A". At Closing, OAO United Heavy Machinery is also authorized and directed to execute and deliver the Guaranty to PPL in substantially the form attached hereto as Exhibit "B".

4. The Selling Debtors shall be, and hereby are, authorized, empowered and directed pursuant to sections 363(b), 363(c)(1), 363(f) and 365 of the Bankruptcy Code to sell the Assets to United free and clear of Interests and to assume and assign to United the executory contracts and unexpired leases described in the APA.

5. Each and every federal, state and local governmental agency or department be, and hereby is, directed to accept any and all documents and instruments necessary and appropriate to consummate the transactions contemplated by the APA, including, without limitation, documents and instruments for recording (a) any governmental agency or department required to transfer to United the licenses or permits under the Selling Debtors' ownership currently used in the operation of the assets or necessary for the operations that are associated with the Assets, and (b) county and state offices wherein termination statements under the Uniform Commercial Code are authorized to be filed. Any clerk in any location where the Assets are located shall cancel and remove from the public record any

lien, claim, interest, encumbrance, demand, suit, action and any other judicial or administrative proceeding or investigation.

6. Upon Closing, and except as authorized by the APA, United shall be, and hereby is, granted exclusive control and authority, to the exclusion of the Selling Debtors, their officers, directors, members, managers, employees, and agents, and any other party, over all egress, ingress, and access to all of the Selling Debtors' premises, and the security systems and personnel maintained on those properties and premises, for the purpose of monitoring, protecting and securing the Assets.

7. At Closing, United shall be, and hereby is, authorized to acquire all of the Assets free and clear of all Interests, and any and all valid Interests that may be asserted by any secured lender, or any other parties, in the Assets shall thereupon be terminated as to the Assets and shall attach to the net sale proceeds described hereinabove with the same validity, force and extent, and in the same priority, as they held prior to the sale, without the necessity of any act or filing. Such proceeds shall not be disbursed except upon further Order of the Court.

8. This Order shall be binding upon, and shall inure to the benefit of, the Selling Debtors, the Creditors' Committee, the Debtors and their estates, Debtors' secured and unsecured creditors, and United, as well as their respective successors and assigns, including, without limitation, any trustee or examiner hereinafter appointed for the Debtors' estates.

9. This Court shall retain jurisdiction over the parties to the APA and this Order, and any of their successors or assigns, for the purpose of enforcing the provisions of this Order or the APA, or any agreements superseding, replacing or relating thereto, and for the purpose of resolving any disputes arising therefrom or in relation thereto. The Court further

retains jurisdiction over any attempts by creditors or parties-in-interest of the Debtors to assert claims against United or the Assets.

10. In the absence of a stay pending appeal, and upon the Closing, then, with respect to the transactions contemplated in the APA and this Order and consummated in accordance therewith, United shall be entitled to and receive the protection of section 363(m) of the Bankruptcy Code with respect to the sale of the Assets approved and authorized herein, in the event that this Order or any authorization contained herein is reversed or modified on appeal.

11. The officers and authorized employees of the Debtors shall be, and they hereby are, authorized, empowered and directed to execute and deliver any and all documents as may be reasonably necessary to effectuate the Closing and implement the terms of the APA and this Order.

12. Each and every holder of any Interests shall, at Closing or promptly thereafter, execute and deliver, and take any action reasonably required to permit the filing and recording of, any documents that may be necessary to terminate or release the Interests insofar as they attach to the Assets (but not as to the sale proceeds).

13. The transfer of the Assets pursuant to the APA is a transfer pursuant to Section 1146(c) of the Bankruptcy Code and, accordingly, may not be taxed under any law imposing a stamp tax or similar tax.


14. "Property" as defined in the APA shall not include (i) the Uljanik licenses for the construction of the "Pasha" vessel or (ii) the items associated with the "Pasha" and "Global" contracts described more fully in the UCC financing statement in favor of Travelers Casualty and Surety Company of America and filed with the State of Delaware, Secretary of

State, Division of Corporations filed on November 16, 2000, 0071090-0000000, SRV: 01522645.

15. Upon Closing, the valid Interests of any party that asserts Interests in and to the Assets will be transferred to the net sale proceeds without the necessity of any act or filing. Such proceeds shall be deposited into a specifically designated and segregated interest bearing account established in compliance with Section 345 of the Bankruptcy Code, with the interest thereon payable to the holder of the Interests entitled to receive such proceeds, and such proceeds shall not be disbursed except upon further order of this Court. The Debtors shall deliver a copy of this Order to such bank or banks where such proceeds have been deposited with written notification that such bank is not authorized to disburse such proceeds except upon further Order of the Court. Nothing contained in this order shall determine the extent, validity, enforceability or priority of any such Interests and all parties reserve their rights with respect thereto.

16. This is a final order and is enforceable upon entry and to the extent necessary under Bankruptcy Rules 5003, 9014, 9021 and 9022, and due to the high likelihood of a rapid decline in the value of the Assets, the Court expressly finds that there is no just reason for delay in the implementation of this Order and expressly directs entry of judgment as set forth herein and the stay imposed by Bankruptcy Rules 6004(g), 6006 and/or 7062 is hereby modified and shall not apply to the proposed sale and the Selling Debtors are hereby authorized and directed to immediately consummate the proposed sale to United without delay in accordance with this Order and the APA.

SO ORDERED AND ADJUDGED, this the 19th day of June, 2002.


HONORABLE EDWARD R. GAINES
UNITED STATES BANKRUPTCY JUDGE

AGREED AS TO FORM AND SUBSTANCE:

SELLING DEBTORS

By: Walter G. Walter FOR DOUGLAS G. WALTER
Douglas G. Walter
ANDREWS & KURTH,
MAYOR, DAY, CALDWELL & KEETON, L.L.P.
Counsel for Selling Debtors

UNITED

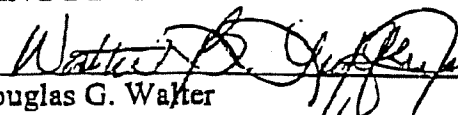
By: See attached
Kevin C. Angel
McGLINCHY STAFFORD
Counsel for United, its Designees and
OAO United Heavy Machinery

PPL SHIPYARDS PTE LTD.

By: Randall A. Rios
Randall A. Rios
FLOYD, ISGUR, RIOS & WAHRLICH, P.C.
Counsel for PPL Shipyards


AGREED AS TO FORM AND SUBSTANCE:

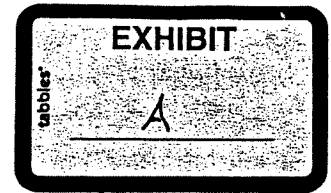
SELLING DEBTORS

By:  FOR DOUGLAS G. WALTER
Douglas G. Walter
ANDREWS & KURTH,
MAYOR, DAY, CALDWELL & KEETON, L.L.P.
Counsel for Selling Debtors

UNITED
By: 
Kevin C. Angel
McGLINCHEY STAFFORD
Counsel for United, its Designees and
OAO United Heavy Machinery

PPL SHIPYARDS PTE LTD.

By: 
Randall A. Rios
FLOYD, ISGUR, RIOS & WAHRLICH, P.C.
Counsel for PPL Shipyards



THIS NOVATION AGREEMENT (this "Agreement") is dated • June 2002

and made **BETWEEN**

- (1) **FRIEDE & GOLDMAN LTD.**, a Mississippi corporation having its principal place of business at 10375 Richmond Avenue, Suite 1200, Houston, Texas 77042, United States of America ("FGL");
- (2) **UNITED HEAVY B.V.**, a company registered in the Netherlands, having its principal place of business at [] ("UHBV");
- (3) **FGL BUYER LLC**, a Texas limited liability company, having its principal place of business at [] ("FGL Buyer");
- (4) **F&G OFFSHORE [LTD.]**, a company registered in the Cayman Islands, having its principal place of business at [] ("F&G Offshore");
- (5) **F&G MARKETING [B.V.]**, a company registered in the Netherlands, having its principal place of business at [] ("F&G Marketing");
- (6) **PPL SHIPYARD PTE LTD**, a company registered in Singapore and having its principal place of business at 21 Pandan Road, Singapore 609273, Republic of Singapore ("PPL"); and
- (7) **OA0 UNITED HEAVY MACHINERY**, a company registered in Moscow, Russia and having its principal place of business at 25 Build. 1, Brmolaevshiy per., Moscow, 103379 Russia ("UHM").

WHEREAS

- (A) By the following licence agreements each made between FGL and PPL, FGL as owner of certain designs and patents granted irrevocable, non-exclusive, perpetual licences to PPL for the construction and sale of jack up and semi submersible drilling units, the rack chock system for jack up drilling units and offshore structures for oil and gas exploration and production:
 - (a) licence agreement dated 8th March 2001 relating to the licence for the construction of two (2) JU 2000 type Jack Up Drilling Units which includes an option for four (4) additional units in connection with the design "F&G JU2000" Type Jack Up Drilling Unit Design No 7126-J, and includes all other contracts, arrangements, agreements, commissions, and purchase orders entered into or committed by the parties in connection therewith;
 - (b) licence agreement dated 23rd May 2001 relating to the licence for the construction of two (2) 7381-S type Semi Submersible Drilling Units which includes an option for two (2) additional units in connection with the design "F&G EXD" Type Semi-Submersible Drilling Unit Design No. 7381-S, and includes all other contracts, arrangements, agreements, commissions, and purchase orders entered into or committed by the parties in connection therewith;

(c) licence agreement dated 23rd May 2001 relating to the licence for the manufacture and supply of the Rack Chock System for the two (2) JU 2000 type Jack Up Drilling Units which includes options for four (4) units in connection with the design and the patent for the Advance Rack Chock Operating System for the F&G JU 2000 Type Jack Up Drilling Unit, and includes all other contracts, arrangements, agreements, commissions, and purchase orders entered into or committed by the parties in connection therewith, including but not limited to the Main Purchase Agreement entered into on 23rd May 2001; and

(d) licence agreement dated 29th June 2001 relating to the licence for the manufacture and sale of offshore structures for oil and gas exploration and production

(together the "Licence Agreements").

- (B) FGL is a wholly-owned subsidiary of Friede Goldman Halter Inc., a Mississippi corporation ("FGL's Parent"). FGL's Parent and FGL have filed for creditor protection under Title 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Mississippi, Biloxi Division (the "Bankruptcy Court"), and intend to sell and assign substantially all of the assets and liabilities of FGL to UHBV pursuant to an Asset Purchase Agreement dated [1st May 2002] and approved by the Bankruptcy Court (the "Existing Asset Purchase Agreement"). The assets of FGL to be sold and assigned to UHBV include the designs, patents, engineering, know-how and all of FGL's rights, title and interest under and in respect of the Licence Agreements.
- (C) PPL has filed an objection (the "Objection") to the intended sale, transfer and assignment of the Licence Agreements by the Existing Asset Purchase Agreement with the U.S. Bankruptcy Court in the Southern District of Mississippi pursuant to its rights under the U.S. Bankruptcy Code.
- (D) By a new asset purchase agreement dated [] 2002 between UHBV, FGL Buyer and F&G Offshore (the "New Asset Purchase Agreement"), UHBV has agreed to sell and assign the tangible assets it acquired from FGL under the Existing Asset Purchase Agreement to FGL Buyer, and the intangible assets it acquired from FGL under the Existing Asset Purchase Agreement to F&G Offshore. Upon acquisition of the tangible assets, FGL Buyer intends to conduct the ongoing design and consulting services and operations previously undertaken by FGL. Upon acquisition of the intangible assets, F&G Offshore will own the Patent Rights and Intellectual Property Rights previously owned by FGL. The intangible assets to be sold and assigned by UHBV to F&G Offshore under the New Asset Purchase Agreement include the designs, patents, engineering, know-how and all of FGL's rights, title and interest under and in respect of the Licence Agreements.
- (E) By an assignment agreement dated [] 2002 (the "Assignment") between F&G Offshore and F&G Marketing, F&G Offshore has agreed to assign and transfer to F&G Marketing all of its rights, title and interest under and in respect of the Licence Agreements upon the terms and conditions therein set forth.
- (F) By a service agreement dated [] (the "Service Agreement") FGL Buyer has agreed to provide F&G Marketing with all design and consulting services and operations in connection with the provision of engineering services associated with the manufacture

and sale of the licensed products (as therein set forth) upon the the terms and conditions therein set forth.

- (G) PPL has, at the request of UHBV, FGL Buyer, F&G Offshore, F&G Marketing and UHM agreed to withdraw the Objection if UHBV succeeds in purchasing FGL's assets pursuant to the Existing Asset Purchase Agreement and to consent to the transfer, sale and assignment of the Licence Agreements from FGL to UHBV pursuant to the terms of the Existing Asset Purchase Agreement, from UHBV to F&G Offshore pursuant to the New Asset Purchase Agreement [and from F&G Offshore to F&G Marketing pursuant to the Assignment] subject to the terms and conditions set out below.
- (H) As a condition to its withdrawal of the Objection, PPL has required that UHM deliver the Parent Guarantee in connection with the execution of this Agreement.

NOW, THEREFORE, for valuable consideration received by each of the parties hereto, the parties hereby agree, as of the Closing Date, as follows:

1. DEFINITIONS

- 1.1 Unless otherwise defined in this Agreement or the Recitals hereto or the context otherwise requires, expressions defined in the Licence Agreements shall have the same meanings in this Agreement.
- 1.2 The following expressions shall be construed in the following manner:
 - 1.2.1 "Closing Date" shall have the meaning assigned to such term in the Existing Asset Purchase Agreement;
 - 1.2.2 "Parent Guarantee" means the Guarantee executed by UHM and delivered to PPL on the Closing Date in the form of Exhibit "A" attached hereto;
 - 1.2.3 "person" includes a corporate entity and any body of persons, corporate or unincorporated or any individual.
 - 1.2.4 "PPL", "FGL", "FGL Buyer", "F&G Offshore", "F&G Marketing", "UHBV" and "UHM" include their respective permitted successors and assigns; and
- 1.3 Unless the context otherwise requires, words in the singular include the plural and vice versa.
- 1.4 References to any document include the same as varied, supplemented, amended or replaced from time to time.
- 1.5 References to any enactment include re-enactments, amendments and extensions thereof.
- 1.6 Clause headings are for convenience of reference only and are not to be taken into account in construction.
- 1.7 Unless otherwise specified, references to Clauses, Recitals, Schedules and Exhibits are to Clauses, Recitals, Schedules and Exhibits of or to this Agreement.

2. NOVATION

2.1 In consideration of the agreements between FGL and UHBV under the Existing Asset Purchase Agreement, of the agreements of UHBV, FGL Buyer and F&G Offshore under the New Asset Purchase Agreement and of the agreements of F&G Offshore and F&G Marketing under the Assignment and of the undertakings of UHBV, FGL Buyer, F&G Offshore, F&G Marketing and UHM set out in this Agreement the parties agree to the sale, assignment and transfer of FGL's right, title and interest in and to, and all obligations, now or hereafter existing, in connection with the Licence Agreements in the following order of priority:

FIRST FGL sells and assigns to UHBV, and UHBV accepts and assumes, such right, title and interest set forth pursuant to the Existing Asset Purchase Agreement;

SECONDLY upon completion of such sale, assignment and transfer, UHBV sells and assigns to F&G Offshore, and F&G Offshore accepts and assumes, such right, title and interest set forth pursuant to the New Asset Purchase Agreement; and

THIRDLY upon completion of such sale, assignment and transfer, F&G Offshore sells and assigns to F&G Marketing, and F&G Marketing accepts and assumes, such right, title and interest set forth pursuant to the Assignment.

2.2 In consideration of each of the sales, transfers and assignments contained in Clause 2.1, PPL withdrawing the Objection, and UHM issuing the Parent Guarantee, F&G Marketing agrees:

2.2.1 to assume, perform and discharge all the obligations and liabilities, now or hereafter existing, of FGL under the Licence Agreements; and

2.2.2 to be bound by the provisions of the Licence Agreements to the same extent and in the same manner as if it had at all times been party to the Licence Agreements in place of FGL.

2.3 In consideration of the benefit UHM will receive from F&G Marketing acquiring the Licence Agreements pursuant to the Assignment and F&G Marketing operating the Licence Agreements, UHM agrees to deliver the Parent Guarantee to PPL on the Closing Date.

2.4 In consideration of the undertakings of F&G Marketing in Clause 2.2 and the undertakings of UHM in Clause 2.3 and the Parent Guarantee, PPL

2.4.1 consents to each of the sales, transfers and assignments set out in Clause 2.1 and to the operation and performance of the Licence Agreements by F&G Marketing; and

2.4.2 agrees to be bound by the provisions of the Licence Agreements and to accept performance and discharge by F&G Marketing of FGL's obligations and liabilities under the Licence Agreements in every way as if F&G Marketing had at all times been a party to the Licence Agreements in place of FGL, and in all respects releases FGL and its guarantors, if any, from any further obligations or

liabilities under or in respect of the Licence Agreements from and after the Closing Date.

- 2.5 F&G Marketing, F&G Offshore, UHM and PPL agree that, on the Closing Date, FGL shall have no further liabilities or obligations under the Licence Agreements, but without prejudice to the rights and remedies of PPL against F&G Marketing, F&G Offshore, and UHM in respect of such liabilities and obligations.
- 2.6 Notwithstanding anything to the contrary in this Agreement, if for any reason the relinquishing by any of the parties under Clause 2.1 shall be avoided, invalidated, rescinded or otherwise affected, whether in whole or in part, under any enactment relating to bankruptcy, winding-up, administration or insolvency, or relating to voidable preferences or transfers, the rights and remedies of PPL against FGL shall continue to apply as if the release by PPL contained in Clauses 2.4.2 and 2.5 had never been given (to the extent that FGL and F&G Offshore, F&G Marketing and UHM shall accordingly be jointly and severally liable under the Licence Agreements) and such release by PPL shall be conditional upon the non-occurrence of any of the said events.
- 2.7 As of the Closing Date, the Licence Agreements shall be read and construed in all respects as if:
- 2.7.1 references therein to FGL are references to F&G Marketing;
- 2.7.2 references therein to the "Agreement" are references to the Licence Agreements as amended by this Agreement; and
- 2.8 Nothing in this Agreement shall be construed as constituting a release or discharge of PPL from its obligations and liabilities under the Licence Agreements and, subject to any amendments thereto by this Agreement, the Licence Agreements shall continue in full force and effect and where necessary shall be read and construed as if the terms of this Agreement were inserted therein by way of addition or substitution (as the case may be).

3. THE SERVICE AGREEMENT

- 3.1 Each of FGL Buyer and F&G Marketing covenant and undertake to PPL that throughout the term of the Licence Agreements:
- 3.1.1 they shall perform their respective obligations under the Service Agreement; and
- 3.1.2 FGL Buyer and/or F&G Marketing will provide any and all consultancy and engineering services and operations required by PPL from time to time pursuant to the Licence Agreements.

4. REPRESENTATIONS, WARRANTIES AND AGREEMENTS

- 4.1 F&G Marketing, F&G Offshore, FGL Buyer and UHM each represent and warrant to FGL and PPL that as of the Closing Date:
- 4.1.1 each has received a signed original of the Licence Agreements and either copies or originals of all such other documents, approvals and opinions relating to the

Licence Agreements and/or PPL and/or the drilling units and the offshore structures for oil and gas exploration and production which are the subject matter of the Licence Agreements and this Agreement, and each accepts all the terms thereof;

- 4.1.2 each has itself been, and will at all times continue to be, solely responsible for making its own independent appraisal of, and investigations into, (i) the financial condition, creditworthiness, affairs, status and nature of PPL and each other party to any document constituting the Licence Agreements or contemplated by this Agreement, (ii) the Licence Agreements and any other document relating thereto or contemplated by this Agreement, and (iii) the matters and things contemplated by the Licence Agreements or any such other document, and it has entered into this Agreement on the basis of such independent appraisal and investigations;
 - 4.1.3 each has not relied upon any representation or warranty made by any of the other parties to this Agreement other than the representation and warranty made by FGL in Clause 4.2; and
 - 4.1.4 each has not relied, and will not hereafter rely, on FGL to appraise or keep under review on its behalf the financial condition, creditworthiness, affairs, status or nature of PPL or any other party to any document relating to, or any matter or thing contemplated by, the Licence Agreements or any such other document.
- 4.2 FGL represents and warrants to F&G Marketing, F&G Offshore, FGL Buyer and UHM that it has not assigned, mortgaged, charged or otherwise encumbered or disposed of to any person other than such persons any of its rights, title and interest in and to the Licence Agreements.
- 4.3 Each party hereto represents and warrants to each of the other parties hereto that:
- 4.3.1 such party is a corporation or company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and duly licensed or qualified and in good standing under the laws of each other jurisdiction where a failure to be so licensed or qualified would be reasonably expected to materially and adversely affect the performance by such party of its obligations hereunder. Such party has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder.
 - 4.3.2 the execution and delivery of this Agreement by such party and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate or company action on the part of such party.
 - 4.3.3 neither the execution and delivery of this Agreement by such party nor the consummation of the transactions contemplated hereby (a) will violate or cause a default or require any consent under (i) the organizational and governing documents of such party or (ii) any agreement, indenture or other instrument to which such party is a party or by which it or any of its assets may be bound or (b) will violate or contravene any law, rule, regulation, order or judgment binding such party, which violation, default or failure to obtain a consent or which lien, charge or other encumbrance or which violation or contravention would in the aggregate be reasonably expected to materially and adversely affect the

performance by such party of its obligations hereunder. No consent, approval or filing with any governmental authority is required to authorize the execution and delivery of this Agreement by such party or its performance of the terms of this Agreement. This Agreement constitutes the legal, valid and binding obligation of such party enforceable against such party in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and to general equity principles (whether enforcement is sought in a proceeding in equity or in law).

4.4 Except for the representations of FGL set forth in Clauses 4.2 and 4.3, FGL makes no representations or warranties and assumes no responsibility with respect to:

4.4.1 the due execution by PPL or the legality, validity, adequacy or enforceability of the Licence Agreements or any document relating thereto or contemplated thereby; or

4.4.2 the financial condition of PPL or any other party to any document relating to the Licence Agreements or contemplated thereby; or

4.4.3 the performance by PPL or any other such party of its obligations under the Licence Agreements or any document relating thereto or contemplated thereby; or

4.4.4 the accuracy of any representation or warranty made by PPL or any other such party in the Licence Agreements or any document relating thereto or contemplated thereby; or

4.4.5 the accuracy of any opinions or certificates delivered or to be delivered under or in connection with the Licence Agreements or any document relating thereto or contemplated thereby;

and if PPL or any other person shall fail to perform any of its obligations under the Licence Agreements or any document relating thereto or contemplated thereby, none of F&G Marketing, F&G Offshore or UHM shall have recourse whatsoever to FGL in respect of such failure.

4.5 The parties agree that:

4.5.1 FGL has no residual beneficial interest in the Licence Agreements other than payments due, if any, from PPL to FGL prior to the Closing Date under the Licence Agreements;

4.5.2 except in the case of any breach by FGL of its obligations or warranties under this Agreement, none of F&G Marketing, F&G Offshore or UHM shall have recourse or claim against FGL for any loss, cost, expense or liability sustained or incurred by such parties as a result of or in connection with this Agreement;

4.5.3 FGL is not obligated to enter into any arrangements to indemnify or compensate F&G Marketing, F&G Offshore or UHM for any losses incurred by such parties pursuant to this Agreement or by reason of any failure by PPL or any other

person to perform any of its obligations under the Licence Agreements or any document relating thereto or contemplated thereby; and

4.5.4 F&G Marketing, F&G Offshore and UHM and not FGL hereby assumes all risks under or relating to the Licence Agreements.

4.6 F&G Marketing, F&G Offshore and UHM jointly and severally agree at all times to keep FGL, its successors and assigns, indemnified against all actions, proceedings, demands, claims, liabilities, damages, costs, and expenses whatsoever (including attorneys' fees and costs of litigation) made against or incurred or sustained by FGL, its successors and assigns or for which FGL, its successors and assigns may be or become liable, in relation to the obligations and liabilities of FGL under the Licence Agreements which are assumed by F&G Marketing, F&G Offshore or UHM under this Agreement.

4.7 PPL agrees to withdraw or waive its Objection to the sale, transfer and assignment of the Licence Agreements by the Existing Asset Purchase Agreement.

5. PARENT GUARANTEE

5.1 In further consideration of PPL agreeing to withdraw the Objection and as security for the obligations of F&G Marketing under the Licence Agreements, UHM agrees to execute and deliver to PPL on the Closing Date a guarantee in the form attached hereto as Exhibit "A" guaranteeing the due and punctual performance by F&G Marketing of its obligations and responsibilities under or pursuant to this Agreement and the Licence Agreements and any agreements related thereto.

6. FURTHER ASSURANCES

6.1 Each of the parties jointly and severally undertake, upon demand, and at their own expense, to sign, perfect, do, execute and register all such further assurances, documents, acts and things as any of the other parties may reasonably require for the purpose of more effectually accomplishing or perfecting the transfer, sale and assignment of the Licence Agreements effected by this Agreement.

7. COSTS AND EXPENSES

7.1 Each of the parties shall bear its own costs in connection with the negotiation, preparation and execution of this Agreement.

7.2 F&G Marketing shall pay all stamp duty and documentation, registration or other like duties and taxes, if any, from time to time imposed on or in connection with this Agreement and the transfer of the Licence Agreements and shall indemnify FGL and PPL against any liability arising by reason of any delay or omission by F&G Marketing pay such stamp duty, duties or taxes.

8. MISCELLANEOUS

8.1 Time is of the essence as regards every obligation of each of the parties to this Agreement, but no delay or omission by any party to exercise any right, power or remedy

vested in it under this Agreement or by law shall impair such right, power or remedy, or be construed as a waiver of, or as an acquiescence in, any default by any of the other parties to this Agreement.

- 8.2 If any of the parties on any occasion agrees to waive any right, power or remedy, such waiver shall not in any way preclude or impair any further or future exercise thereof or the exercise of any other right, power or remedy.
- 8.3 Any waiver or amendment by the parties of any provision of this Agreement, and any consent or approval given by any party, shall only be effective if given in writing and then only strictly for the purpose and upon the terms for which it is given. This Agreement may not be amended or varied orally. This Agreement, the Licence Agreements and the Parent Guarantee and the other agreements referred to herein, together with any Bankruptcy Court Orders issued in connection with these matters, embody the entire agreement of the parties and supersede all other agreements and understandings between such parties relating to the Licence Agreements and Bankruptcy Court Orders. The agreements in this Agreement, the Licence Agreements and the Parent Guarantee and the other agreements referred to herein, together with any applicable Bankruptcy Court Orders, may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.
- 8.4 The rights, powers and remedies of each party contained in this Agreement are cumulative and not exclusive of each other nor of any other rights, powers or remedies conferred by law, and may be exercised from time to time and as often as that party may think fit.
- 8.5 If at any time one or more of the provisions of this Agreement is or becomes invalid, illegal or unenforceable in any respect under any law by which it may be governed or affected, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired as a result.
- 8.6 This Agreement may be executed in any number of counterparts and all such counterparts taken together shall be deemed to constitute but one and the same instrument.

9. NOTICES

- 9.1 All notices (which expression includes any demand, request, consent or other communication) to be given by one party to the others under this Agreement shall be in writing and (unless delivered personally) shall be given by telefax or first class pre-paid post (airmail if sent internationally) and be addressed:

- 9.1.1 in the case of FGL, as follows:

Friede Goldman Halter, Inc.
13085 Seaway Blvd.
Gulfport, Mississippi 39503
Attn: Chief Executive Officer
Telefax No.: (601) 352-0588

9.1.2 in the case of United Heavy B.V., as follows:

●

Telefax No.: ●

9.1.3 in the case of FGL Buyer LLC, as follows:

●

Telefax No.: ●

9.1.4 in the case of F&G Owner [Ltd], as follows:

●

Telefax No.: ●

9.1.5 in the case of F&G Marketing B.V., as follows:

●

Telefax No.: ●

9.1.6 in the case of OAO United Heavy Machinery, as follows:

OAO United Heavy Machinery
25 Build. 1, Brmolaevskiy per.
Moscow, 103379 Russia
Attn: Kakha A. Bendookidze

with copy to:

McGlinchey Stafford, PLLC
Skytel Centre South, Suite 1100
Jackson, Mississippi 39201
Attn: William Leech

9.1.7 in the case of PPL, as follows:

PPL Shipyard Pte Ltd.
Attention: Anthony Aurol
21 Pandan Road, Singapore 609273
Telefax No. (65) 264 4130

with a copy to:

Randall A. Rios
Floyd, Isgur, Rios & Wahrlich, P.C.
700 Louisiana, Suite 4600
Houston, Texas 77002
Telefax No. 713-222-1475

- 9.2 If any of the parties wishes to change its address for communication, the one shall give to the others not less than seven (7) working days' notice in writing of the change desired.
- 9.3 Notices addressed as provided above shall be deemed to have been duly given when dispatched (in the case of personal delivery), upon confirmed transmission (in the case of letters sent by telefax), two (2) days after posting (in the case of letters sent within the same country), or five (5) days after posting (in the case of letters sent internationally). In each of the above cases any notice received on a non-working day or after business hours in the country of receipt shall be deemed to be given on the next following working day in such country.
- 9.4 All notices and documents to be given or delivered pursuant to or otherwise in relation to this Agreement shall be in the English language or be accompanied by a certified English translation.

10. APPLICABLE LAW AND JURISDICTION

- 10.1 This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas. Each of the parties hereby irrevocably and unconditionally consents and submits to and waives any objection to the personal and subject matter jurisdiction of, and venue in, the Bankruptcy Court, in such event FGL's bankruptcy case is closed, then to the United States District Court for the Southern District of Texas in any action or proceeding arising out of or relating to this Agreement and the transactions contemplated hereby. Each of the parties agree that such jurisdiction and venue shall be exclusive with respect to any such action or proceeding brought by it hereunder. Each of the parties consent to the service of copies of the summons and complaint and any other such process which may be served in any such action or proceeding by certified mail, return receipt requested, or by any other method permitted by law.

IN WITNESS WHEREOF the parties have caused this Agreement to be duly executed as a Novation Agreement and Bill of Sale by their duly authorised officers or other representatives to be effective as of the Closing Date.

SIGNED AS A NOVATION AGREEMENT
FRIEDE & GOLDMAN LTD

By: _____
Name: _____
Title: _____

THE STATE OF TEXAS §

COUNTY OF HARRIS §

BEFORE ME, the undersigned authority, on this day personally appeared _____, in the capacity of _____ and authorized agent of Friede & Goldman Ltd., a Mississippi corporation, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that s/he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ___ day of June, 2002.

Notary Public in and for
The State of Texas

SIGNED AS A NOVATION AGREEMENT
UNITED HEAVY B.V.

By: _____
Name: _____
Title: _____

THE STATE OF _____ §

COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____, in the capacity of _____ and authorized agent of United Heavy B.V., a company registered in The Netherlands, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that s/he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ___ day of June, 2002.

Notary Public in and for

The State of _____

SIGNED AS A NOVATION AGREEMENT
FGL BUYER LLC

By: _____
Name: _____
Title: _____

THE STATE OF _____ §

COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____, in the capacity of _____ and authorized agent of FGL Buyer LLC, a Texas limited liability company, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that s/he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ___ day of June, 2002.

Notary Public in and for

The State of _____

SIGNED AS A NOVATION AGREEMENT
F&G OFFSHORE [LTD.]

By: _____
Name: _____
Title: _____

THE STATE OF _____ §

COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____, in the capacity of _____ and authorized agent of F&G Offshore Ltd., a company registered in the Cayman Islands, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that s/he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ___ day of June, 2002.

Notary Public in and for

The State of _____

SIGNED AS A NOVATION AGREEMENT
F&G MARKETING [B..V.]

By: _____
Name: _____
Title: _____

THE STATE OF _____ §

COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____, in the capacity of _____ and authorized agent of F&G Marketing B.V., a company registered in The Netherlands, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that s/he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ___ day of June, 2002.

Notary Public in and for

The State of _____

SIGNED AS A NOVATION AGREEMENT
PPL SHIPYARD PTE LTD

By: _____
Name: _____
Title: _____

THE STATE OF _____ §

COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____, in the capacity of _____ and authorized agent of PPL Shipyard Pte Ltd, a company registered in Singapore, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that s/he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ___ day of June, 2002.

Notary Public in and for

The State of _____

SIGNED AS A NOVATION AGREEMENT
OAO UNITED HEAVY MACHINERY

By: _____
Name: _____
Title: _____

THE STATE OF _____ §

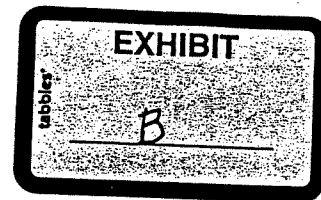
COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____, in the capacity of _____ and authorized agent of OAO United Heavy Machinery, a company registered in Moscow, Russia, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that s/he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said company.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this ___ day of June, 2002.

Notary Public in and for

The State of _____



GUARANTEE

To: PPL Shipyard Pte Ltd
21 Pandan Road
Singapore 609273

●[date]●

Dear Sirs,

Re: Novation Agreement dated June, ___ 2002 between Friede & Goldman Ltd ("FGL"), United Heavy BV ("UHBV"), FGL Buyer LLC ("FGL Buyer"), F&G Offshore Ltd ("F&G Offshore"), PPL Shipyard Pte Ltd ("PPL") and OAO United Heavy Machinery ("UHM") and the Licence Agreements defined therein

1. UHM refers to the above referenced Novation Agreement (the "Novation Agreement", which expression shall include the same as varied, supplemented, renewed or replaced from time to time, and shall include any and all addenda thereto) pursuant to which
 - (1) all of FGL's rights, title and interest and obligations in and under the Licence Agreements (as defined in the Novation Agreement) have been sold, transferred and assigned as follows:
 - (a) First, FGL sold and assigned to UHBV, and UHBV accepted and assumed, such right, title and interest pursuant to the Existing Asset Purchase Agreement (as defined in the Novation Agreement);
 - (b) Secondly, upon completion of such sale, assignment and transfer to UHBV, UHBV sold and assigned to F&G Offshore, and F&G Offshore accepted and assumed, such right, title and interest pursuant to the New Asset Purchase Agreement (as defined in the Novation Agreement); and
 - (c) Thirdly, upon completion of such sale, assignment and transfer to F&G Offshore, F&G Offshore sold and assigned to F&G Marketing, and F&G Marketing accepted and assumed, such right, title and interest pursuant to the Assignment (as defined in the Novation Agreement); and
 - (2) FGL's tangible assets have been sold and transferred as follows:
 - (a) First, FGL sold and transferred to UHBV substantially all such tangible assets pursuant to the Existing Asset Purchase Agreement (as defined in the Novation Agreement); and
 - (b) Secondly, upon completion of such sale and transfer to UHBV, UHBV sold and transferred all such tangible assets acquired from FGL to FGL Buyer pursuant to the New Asset Purchase Agreement (as defined in the Novation Agreement); and
 - (3) By the Service Agreement FGL Buyer has agreed to provide F&G Marketing with all design and consulting services and operations in connection with the provision of engineering services associated with the manufacture and sale of the

licensed products (as therein set forth) upon the the terms and conditions therein set forth.

2. The term "Licence Agreements" shall include the same as varied, supplemented, renewed or replaced from time to time, and shall include any and all addenda thereto. PPL acknowledges that as far as it is aware there has been no breach of the Licence Agreements. Capitalised terms used but not defined herein shall have the meaning assigned to such terms in the Novation Agreement.
3. UHM represents and warrants to PPL that UHBV, FGL Buyer, F&G Offshore and F&G Marketing (together the "Subsidiaries") are each a subsidiary of UHM and that UHM's guarantee and surety obligations pursuant to this Guarantee may reasonably be expected to benefit it, directly or indirectly. UHM further represents and warrants to PPL that it has determined, in reliance upon its own thorough analysis, that this Guarantee is necessary and convenient to the conduct, promotion and attainment of the business of each of the Subsidiaries.
4. UHM hereby irrevocably and unconditionally guarantees, as primary obligor and not as surety only, upon PPL's first written demand, the due and punctual performance and observance by each of the Subsidiaries of their respective obligations and responsibilities under or pursuant to the Novation Agreement, the Licence Agreements, the Service Agreement and any related Bankruptcy Court Orders and any related agreements (collectively, the "Guaranteed Obligations"), including without limitation, the due payment in cash, in full, in United States dollars of all moneys whatsoever which may from time to time fall or have fallen due to be paid by any of the Subsidiaries to PPL under or pursuant to the Novation Agreement, the Licence Agreements, the Service Agreement or any related agreements, as the case may be. PPL's written demand shall be accompanied by a statement signed by an authorised officer of PPL specifying:
 - (1) the nature of the non-performance of a Guaranteed Obligation by one or more of the Subsidiaries; and
 - (2) the period within which such non-performance must be cured by one or more of the Subsidiaries, as the case may be.

Following expiry of any such specified period without UHM or any one or more of the Subsidiaries curing such specified non-performance, PPL shall be entitled to claim under this Guarantee for any losses, damages, claims or expenses of whatsoever nature incurred as a result.

5. This guarantee applies to all Guaranteed Obligations whether or not they have already accrued prior to the Closing Date or shall arise in the future. Notwithstanding any provision contained herein to the contrary, the maximum liability of UHM as guarantor shall in no event exceed the amount which can be guaranteed by such entity under applicable law relating to the insolvency of debtors.
6. Notwithstanding any payment made by UHM hereunder, UHM shall not be entitled to be subrogated to any of the rights of PPL against any of the Subsidiaries, nor shall UHM seek or be entitled to seek any indemnity, exoneration, participation, contribution or reimbursement from any of the Subsidiaries in respect of any payments made or performance rendered by UHM hereunder, until all amounts owing to and any

performance due to PPL on account of the Guaranteed Obligations are satisfied in full or paid in full, in cash with respect to monetary obligations. If any amount shall be paid to UHM on account of such subrogation rights at any time when all of the Guaranteed Obligations shall not have been satisfied and paid in full, such amount shall be held by UHM in trust for PPL and shall promptly be turned over to PPL in the exact form received by UHM.

7. If any of the Subsidiaries fails to perform any of its respective obligations or responsibilities under or pursuant to the Novation Agreement, any of the Licence Agreements, the Service Agreement or any related agreements or should PPL cancel the Novation Agreement or any one or more of the Licence Agreements or the Service Agreement, this Guarantee shall continue to bind UHM and remain in full force and effect until all terms and conditions of the Novation Agreement, the Service Agreement and the Licence Agreements to be performed by any of the Subsidiaries have been fully performed and all Guaranteed Obligations have been satisfied. UHM shall remain obligated hereunder notwithstanding that, without notice to or further assent by UHM, the Guaranteed Obligations may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by, or any indulgence or forbearance in respect thereof granted by PPL or any other event shall occur which constitutes a defence or release of sureties generally. UHM hereby waives any and all notice of the creation, renewal, extension or accrual of any of the Guaranteed Obligations and notice of or proof of reliance by PPL upon this Guarantee or the acceptance of this Guarantee. This Guarantee shall not be discharged or prejudiced by any time or concession given by PPL to any of the Subsidiaries or to any third party, or by anything which PPL may do or omit to do, or by any other dealing or thing which, but for this provision, might operate to discharge UHM from liability.
8. UHM waives diligence, presentment, protest, demand for payment and notice of default or non-payment to or upon any of the Subsidiaries with respect to the Guaranteed Obligations other than the notice required under paragraph 4 of this Guarantee. For the purposes of this Guarantee, "demand" shall include the commencement and continuance of any legal proceedings. UHM understands and agrees that this Guarantee shall be construed as a continuing, complete, absolute and unconditional guarantee of payment and performance without regard to:
 - (1) the validity or enforceability of the Novation Agreement, the Licence Agreements, the Service Agreement and any related agreements or any of the Guaranteed Obligations,
 - (2) any defence, set-off, or counterclaim (other than a defence of payment or performance) which may at any time be available to or be asserted by any of the Subsidiaries or any other person or entity against PPL,
 - (3) the insolvency, bankruptcy arrangement, reorganisation, adjustment, composition, liquidation, disability, dissolution or lack of power of any of the Subsidiaries or PPL or any sale, lease or transfer of any or all of the assets of any of the Subsidiaries or PPL, or any changes in the ownership of any of the Subsidiaries, PPL, or UHM, or

- (4) any other circumstance or act whatsoever, which constitutes, or might be construed to constitute, an equitable or legal discharge of any of the Subsidiaries or UHM, in bankruptcy or in any other instance.
9. This Guarantee shall continue to be effective, or be reinstated, as the case may be, if at any time payment or performance, or any part thereof, of any of the Guaranteed Obligations is rescinded or must otherwise be restored or returned or compensated for by PPL upon the insolvency, bankruptcy, dissolution, liquidation or reorganisation of any of the Subsidiaries or UHM, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, any of the Subsidiaries or UHM or any substantial part of their respective property, or otherwise, all as though such payments had not been made or such performance had not been rendered.
10. UHM guarantees that all payments hereunder will be paid to PPL without set-off or counterclaim in United States currency at the address of PPL set forth above in this Guarantee.
11. UHM further hereby unconditionally and irrevocably agrees, as primary obligor and not as surety only, to pay to PPL, on demand, any and all sums which may be adjudged or awarded by any competent court or tribunal to be due to PPL in respect of any claim of whatsoever nature which PPL may now or hereafter have against any of the Subsidiaries arising out of or in connection with the Novation Agreement, the Licence Agreements, the Service Agreement and any related agreements or the Guaranteed Obligations.
12. UHM represents and warrants to PPL that:
 - (1) It is not insolvent as of the date hereof and will not be rendered insolvent as a result of the execution and delivery of this Guarantee;
 - (2) It is not engaged in business or a transaction, or about to engage in a business or a transaction, for which its property and assets remaining after taking into account this Guarantee constitute unreasonably small capital;
 - (3) It does not intend to incur, or believe that it will incur, debts that will be beyond its ability to pay as such debts mature;
 - (4) It is a company duly organised, validly existing and in good standing under the laws of its jurisdiction of organisation and duly licensed or qualified and in good standing under the laws of each other jurisdiction where a failure to be so licensed or qualified would be reasonably expected to materially and adversely affect the performance by it of its obligations hereunder, and it has full corporate power and authority to execute and deliver this Guarantee and to perform its obligations hereunder;
 - (5) The execution and delivery of this Guarantee by it and the consummation of the transactions contemplated hereby have been duly authorised by all requisite corporate action on its part; and

- (6) Neither the execution and delivery of this Guarantee by it nor the consummation of the transactions contemplated hereby will:
- (a) violate or cause a default or require any consent under:
 - (i) its organisational and governing documents; or
 - (ii) any agreement, indenture or other instrument to which it is a party or by which it or any of its assets may be bound; or
 - (b) violate or contravene any law, rule, regulation, order or judgment binding it,

which violation, default or failure to obtain a consent or which lien, charge or other encumbrance or which violation or contravention would in the aggregate be reasonably expected to materially and adversely affect the performance by it of its obligations hereunder.

- (7) No consent, approval or filing with any governmental authority is required to authorise the execution and delivery of this Guarantee by it or its performance of the terms of this Guarantee.
- (8) This Guarantee constitutes a legal, valid and binding obligation of UHM enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganisation, moratorium and other similar laws relating to or affecting creditors' rights generally and to general equity principles (whether enforcement is sought in a proceeding in equity or in law).
13. The term "Parent Claims" shall mean all debts and obligations of any of the Subsidiaries to UHM or to any entities owned or controlled by UHM or to persons associated with any of the foregoing (collectively, the "Parent Entities"), whether such debts and obligations now exist or are hereafter incurred or arise, or whether the obligation of the debtor thereon be direct, contingent, primary, secondary, several, joint and several, or otherwise, and irrespective of whether such debts or obligations be evidenced by note, contract, open account, or otherwise, and irrespective of whether the person or entity in whose favor such debts or obligations may, at their inception, have been, or may hereafter be created, or the manner in which they have been or may hereafter be acquired. At any time after PPL has made any demand for payment or performance by UHM pursuant to this Guarantee, the Parent Entities, shall not receive or collect, directly or indirectly, from any of the Subsidiaries in respect thereof any amount or compensation upon Parent Claims. In the event that notwithstanding the foregoing, any Parent Entity should receive any such funds, payments, claims or distributions which are prohibited herein, then it agrees (i) to hold in trust for PPL an amount equal to the amount of all funds, payments, claims or distributions so received, and (ii) that it shall have absolutely no dominion over the amount of such funds, payments, claims or distributions except to pay them promptly to PPL; and each Parent Entity covenants to promptly pay the same to PPL.
14. UHM may not assign, transfer or delegate any of its duties or obligations under this Guarantee without the prior written consent of PPL.

15. In the event that any one or more of the provisions contained in this Guarantee shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Guarantee.
16. To the extent that any payments on or performance rendered with respect to the Guaranteed Obligations are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid or compensated for to a trustee, debtor in possession, receiver or other person or entity under any bankruptcy or insolvency law, common law or equitable cause, then to such extent, the Guaranteed Obligation so satisfied shall be revived and continue as if such payment or performance had not been received and PPL's rights, powers and remedies under this Guarantee shall continue in full force and effect.
17. This Guarantee, the Licence Agreements, the Service Agreement and the Novation Agreement, together with any Bankruptcy Court Orders issued in connection with these matters, embody the entire agreement of the parties and supersede all other agreements and understandings between such parties relating to the subject matter of such agreements and Orders. The agreements in this Guarantee, the Licence Agreements, the Service Agreement and the Novation Agreement, together with any applicable Bankruptcy Court Orders, may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.
18. This Guarantee shall be governed by and construed in accordance with the laws of the State of Texas. For your exclusive benefit we hereby agree that the United States District Court for the Southern District of Texas shall have exclusive personal and subject matter jurisdiction over any disputes which may arise out of or in connection with this Guarantee and undertaking and we hereby irrevocably and unconditionally consent and submit to and waive any objection to the personal and subject matter jurisdiction of such court.
19. UHM expressly waives notice of acceptance of this Guarantee, acceptance on the part of PPL being conclusively presumed by its request for this Guarantee and the delivery of the same to it.
20. This Guarantee shall be effective as of the Closing Date (as defined in the Novation Agreement).

Very truly yours,

OAO UNITED HEAVY MACHINERY

By: _____

Name: _____

Title: _____