

MACK POINT REDEVELOPMENT

First Amendment to SPRAGUE LOAN AGREEMENT OF NOVEMBER 8, 1999

FIRST AMENDMENT to SPRAGUE PROMISSORY NOTE OF NOVEMBER 8, 1999 ("Amendment") made this 27th day of July, 2003 by and between the **MAINE PORT AUTHORITY**, a body both corporate and politic in the State of Maine established for the general purpose of acquiring, constructing and operating any kind of port terminal facility and railroad facility within the State of Maine pursuant to 23 M.R.S.A. § 4420, with its office located in Augusta, Maine (the "Authority" or "MePA"), and **SPRAGUE ENERGY CORP.**, a Delaware corporation, with principal offices at Two International Drive, Portsmouth, New Hampshire ("Sprague") and with a place of business at Mack Point, Searsport, Maine ("Mack Point").

WHEREAS, the Authority and Sprague entered into a certain Mack Point Redevelopment Project Funding Agreement dated August 5, 1999 (the "Project Agreement") and a Loan Agreement ("Loan Agreement") dated November 8, 1999 evidenced by Sprague's Promissory Note (the "Note") dated November 8, 1999 for the purpose, among other things, of undertaking and effecting the redevelopment of certain marine cargo facilities at Mack Point; and

WHEREAS, the Project Agreement and the Project defined therein are designed to provide the renewal, continued growth, and viability of intermodal freight operations, marine-related transportation improvements, and cargo and commodity handling consistent with the goals and objectives of the three-port strategy of the Authority and the State of Maine; and

WHEREAS, the Sprague Loan Agreement and the Promissory Note stated that payments were to be made by Sprague to the Finance Authority of Maine ("FAME") on behalf of the Authority, and

WHEREAS, the Authority has revised its contractual agreements with FAME by new contract dated December 19, 2002, and the Authority no longer utilizes FAME for its financial transaction and loan management programs,

WHEREAS, consistent therewith, the Authority and Sprague have agreed to certain amendments, modifications and additions to the Loan Agreement and the Promissory Note;

NOW THEREFORE, for and in consideration of the foregoing, the mutual promises, agreements, covenants and undertakings herein set forth, and other good and valuable consideration, the Authority and Sprague hereby covenant and agree as follows:

1. Defined Terms. All capitalized terms not otherwise defined herein shall have the meaning and definition ascribed to such terms in the Loan Agreement.
2. Section 3.3 Manner of Payment of the Loan Agreement is hereby amended to read as follows:

The Loan payments provided for in Section 3.1 of this Agreement shall be made by any reasonable method to the Maine Port Authority ("Authority"). The additional payments provided for in Section 3.2 hereof shall be made in the same manner directly to the entitled party. In the event a party entitled to a payment directs in writing that such payment be made to another party, the Borrower shall make payments to such designee.

2. Counterparts. This Amendment may be executed in two (2) or more counterparts, each of which shall be deemed an original and all collectively but one and the same instrument. This Amendment may be executed and/or transmitted by facsimile and such facsimile signatures and transmissions may be used in place of original signatures and original documents.


3. Effectiveness of Project Agreement. The parties hereby acknowledge and confirm that the Loan Agreement and the Promissory Note each remain in full force and effect, except as expressly modified by this Amendment.

4. Miscellaneous. This Amendment shall be construed in accordance with Maine law.


IN WITNESS WHEREOF, the parties have executed this First Amendment to Sprague Loan Agreement as of the day and date first above written.

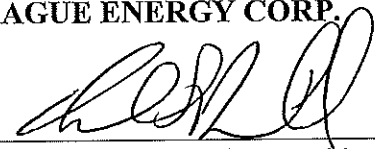
MAINE PORT AUTHORITY


Witness

By: 
David A. Cole, Chair

SPRAGUE ENERGY CORP.


Witness

By: 
Burton Russell, Vice President

MAINE PORT AUTHORITY

PROMISSORY NOTE

\$2,000,000.00

Augusta, Maine
November 8, 1999

Sprague Energy Corp., a corporation organized and existing under the laws of the State of Delaware and qualified to do business in the State of Maine (the "Borrower"), for value received, hereby promises to pay to the order of the Maine Port Authority (the "Authority"), the principal sum of Two Million Dollars (\$2,000,000.00), together with interest on the unpaid principal amount as stated below, until fully and finally paid. Payments are to be made as follows:

- A. Repayment shall commence on the earlier of (i) the fifteenth day of the first full month following Dry Cargo Pier Completion, as defined in the Loan Agreement of even date herewith between the Authority and the Borrower, or (ii) if after bid opening for the construction contract encompassing the construction of the Dry Cargo Pier, as defined in the Loan Agreement, there are sufficient funds available (after including a construction contingency satisfactory to the Authority) to fund the reasonable costs of the relocation of the Irving Pipeline, then the fifteenth day of the first full month following completion of relocation of the Irving Pipeline, but in such event (and until the occurrence of (i) above) only with regard to Wharfage Fees associated with the Irving Pipeline (in either event, the "Repayment Commencement Date");
- B. From and after the Repayment Commencement Date, monthly payments shall equal the Wharfage Fees payable with respect to the immediately preceding calendar month, as set forth in Exhibit A attached hereto, provided however, in the event that there remains any amount outstanding under this Note fifteen (15) years following the Dry Cargo Pier Completion Date ("Maturity"), the full remaining outstanding balance hereof shall be due and payable upon notice from the Authority;
- C. The loan shall be interest free, except in the case of an Event of Default as defined in Section 7.1 (9) of the Loan Agreement.

All payments are due and payable on the fifteenth day of each month until the Note is paid in full. A late payment fee of Five Percent (5%) of the payment due shall, at the option of the Authority, be assessed on any payment received more than fifteen (15) days beyond the payment due date.

This Note has been executed under and pursuant to the Loan Agreement. The Loan is made pursuant to 23 M.R.S.A. 4420 *et seq.* and is secured by certain real estate and other assets of Borrower more particularly described in a Mortgage, Security Agreement and Financing Statement of even date herewith delivered by Borrower to the Authority (the "Mortgage").

This Note may also be secured by the terms of one or more security agreements, mortgages, assignments, guarantees or other security documents now held by, or in the future granted to, the holder hereof whether or not such security is described above.

This Note is issued to evidence the obligation of the Borrower under the Loan Agreement to repay the loan made by the Authority, which was capitalized in part with the proceeds of State of Maine General Obligation Bonds, together with all other amounts, fees, penalties, premiums, adjustments, expenses, counsel fees and all other payments of any kind required to be paid by the Borrower under the Loan Agreement and all other Financing Documents, as that term is defined in the Loan Agreement. In addition, the holder hereof shall have the right of setoff.

As provided in the Loan Agreement and subject to the provisions thereof, payments hereon are to be made to the Finance Authority of Maine at its office in Augusta, Maine, or to such other address or agent of the Authority as the Authority may hereafter request by written notice to Borrower.

The Borrower shall make payments on this Note on the dates and in the amounts specified herein and in the Loan Agreement, and in addition shall make such other payments as are required pursuant to the Loan Agreement and the other Financing Documents. In the event of default, as defined in any of the Financing Documents, the principal of and all interest on this Note may be declared immediately due and payable. In addition to all other payments required to be paid pursuant to this Note, the Loan Agreement and the other Financing Documents, the Borrower agrees to pay immediately upon demand all costs and expenses, including without limitation attorneys' fees, incurred by the Authority in connection with or arising out of or relating to the, administration, validity, enforcement or preservation of this Note, the Loan Agreement, other Financing Documents, or any right thereunder.


In the event of circumstances beyond the control of the Authority which prevent the Authority from completing the Dry Cargo Pier Improvements after the date of this Note, Borrower will remain obligated to repay this Note, except that repayment shall be made exclusively from the Wharfage Fees derived from the Irving Pipeline and the Maturity of this Note shall be modified and extended as necessary until said loan is repaid therefrom.

The obligation of Borrower hereunder shall be limited to the Wharfage Fees payable hereunder together with the collateral securing each obligation and the option in the Headlands granted to the Authority by Borrower contemporaneously herewith. The liability of Borrower hereunder shall at all times be limited to the BAR Pier (later the Dry Cargo Pier) and the real and personal property pledged as security hereunder and under the Mortgage. The Authority shall look solely to the said collateral securing each obligation in satisfaction of the obligations identified herein.

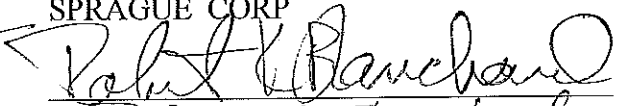
The Borrower (1) waives diligence, demand, presentment for payment, notice of nonpayment, protest and notice of protest, notice of any renewals or extension of this Note, and all rights under any statute of limitations, (2) agrees that the time for payment of this Note may be extended at the sole discretion of the Authority without impairing its liability hereon, and (3) consents to the release of all or any part of the security for the payment thereof at the discretion of the Authority or the release of any party liable for this obligation without affecting the liability of the other parties hereto. Any delay on the part of the Authority in exercising any right hereunder shall not operate as a waiver of any such right, and any waiver granted with respect to one default shall not operate as a waiver in the event of any subsequent default. This Note is intended to take effect as a sealed instrument.

IN WITNESS WHEREOF, Sprague Corp. has caused this Note to be executed in its corporate name and its corporate seal hereunto affixed, all as of the day and date first written above.

WITNESS:


A. MARTS

SPRAGUE CORP


By: ROBERT E. Blanchard
Its: VP

MAINE PORT AUTHORITY

LOAN AGREEMENT

This Loan Agreement is made and dated as of November 8, 1999, by and between **Sprague Energy Corp**, a Delaware corporation, having its principal office at Two International Drive, Suite 200, Portsmouth, New Hampshire (the "Borrower") and the **Maine Port Authority**, a body corporate and politic and a public instrumentality of the State of Maine (the "Authority").

WHEREAS, the Authority exists pursuant to 23 M.R.S.A. Section 4420 *et seq.*, as amended (the "Act"), which Act authorizes the Authority to enter into agreements, including loan agreements for the acquisition, construction, maintenance and operation of port terminal facilities it determines to be in the best interests of the State; and

WHEREAS, the State of Maine has issued or will issue its General Obligation Bonds, as authorized by P & S 1997, c. 82 "An Act to Authorize Department of Transportation Bond Issues in the Amount of \$36,985,000 to Match Available Federal Funds for Improvements to Municipal and State Roads, State and Local Bridges Airports, State Ferry Vessels and Terminals, and Rail and Marine Facilities (the "Bonds"); and

WHEREAS, the Borrower in conjunction with the Authority and the Maine Department of Transportation (the "Department" or "MDOT") proposes to undertake a project consisting of, among other things, the purchase, rehabilitation and operation of the existing Bangor and Aroostock Railroad Company ("BAR") cargo pier at Mack Point in Searsport, Maine (the "BAR Pier" or "Dry Cargo Pier") and the rehabilitation and operation of the Borrower's adjacent cargo pier (the "Liquid Cargo Pier") (the BAR Pier/Dry Cargo Pier and the Liquid Cargo Pier are sometimes collectively referred to herein as the "Piers"), which "Project" has been approved by the Authority, and the Authority and the Borrower have entered into the Project Funding Agreement (as hereinafter defined), pursuant to which the Authority agreed to fund the BAR Acquisition Loan as that term is defined in the Project Agreement, (referred to herein as the "Loan") to Borrower in the original principal amount of \$2,000,000; and

WHEREAS, the Borrower has agreed to accept the Loan, to be evidenced by a note from the Borrower to the Authority in the original principal amount of \$2,000,000 (the "Note") under the terms and conditions set forth herein and in the other Financing Documents; and

NOW, THEREFORE, in consideration of the mutual representations, covenants and agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Authority, each binding itself, its successors and assigns, hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. Words and phrases defined in this Agreement, including terms defined in the preamble hereto, shall have the meanings accorded to them herein, unless some other meaning is plainly intended.

"Acquisition" when used in connection with the Project, shall mean, without limitation, the acquisition, construction, improvement, equipment, installation, and provision of the Project and the Collateral.

"Additional Covenants" shall mean those covenants, warranties, representations and agreements set forth in Exhibit B hereto.

"Affiliate" shall mean, when used with reference to the Borrower (i) any person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Borrower, (ii) any person which is an officer, partner or trustee of or serves in a similar capacity with respect to, the Borrower, and (iii) any person which, directly or indirectly, is the beneficial owner of 10% or more of any class of equity securities of, or otherwise has a substantial beneficial interest in, the Borrower or of which the Borrower is directly or indirectly the owner of 10% or more of any class of equity securities or in which the Borrower has a substantial beneficial interest.

"Collateral" means all real and personal property of the Borrower on which the Authority holds a mortgage, security interest or pledge as security for the Note, as more particularly described in the applicable Financing Documents.

"Dry Cargo Pier Completion" means the date the Authority reasonably determines that the Dry Cargo Pier, as constructed, (1) conforms to the Final Plans and Bid specifications and (2) is capable of receiving its first ship for the purpose of off-loading dry cargo.

"Event of Default" means an Event of Default as defined in Section 7.1 hereof.

"Financing Documents" means all instruments, documents and agreements evidencing or securing the obligations of the Borrower and any Guarantor to the Authority with respect to the Loan including, without limitation, the Note, this Agreement, and the Mortgage.

"Mortgage" means the Mortgage, Security Agreement and Financing Statement of even or contemporaneous date herewith and any substitute or replacement therefor or any mortgage hereafter given to secure the Borrower's obligations with respect to the Loan.

"Note" means the promissory note of the Borrower to the Authority of even or contemporaneous date herewith, and any amendments, supplements, renewals or allonges thereto or replacement thereof made in conformity with this Agreement.

"Permitted Encumbrances" shall mean, as of the date of delivery of this Agreement, the liens and encumbrances shown in Exhibit A hereto, and, as of any particular time, those liens created by or in accordance with the Financing Documents.

"Project Funding Agreement" means the agreement between the Authority and the Borrower dated August 5, 1999, and any subsequent amendments thereto, establishing, *inter alia*, the terms and conditions under which the Authority will make the Loan to the Borrower.

"Net Proceeds," when used with respect to any insurance or condemnation award, means the gross proceeds from such award less all actual reasonable and necessary out-of-pocket expenses (including without limitation attorneys' fees) directly incurred by the Borrower and the Authority in the collection thereof.

"State" means the State of Maine.

Section 1.2 Interpretation. (A) Any headings preceding the texts of the articles and sections of this Agreement shall be solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

(B) Nothing contained in this Agreement or any of the Financing Documents shall be construed to cause the Borrower to become the agent for the Authority for any purpose whatsoever, nor shall the Authority be regarded as an agent for the Borrower unless specifically so provided, or be responsible for any shortage, discrepancy, damage, loss or destruction of any part of the Project wherever located or for whatever cause, or for any injury or damages to any person or entity arising out of use of the Project or the products thereof.

(C) All approvals, consents and acceptances required to be given or made by any person or party hereunder shall be at the sole discretion of the party whose approval, consent or acceptance is required, except as may be otherwise agreed in any of the Financing Documents.

(D) This Agreement shall be governed by and construed in accordance with the applicable laws of the State.

(E) If any portion of any provision of the Agreement shall be ruled invalid by any court of competent jurisdiction, the invalidity of such portion shall not affect the remainder of such provision or any of the remaining provisions hereof.

(F) Any reference to any person shall be deemed to include the heirs, personal representatives, successors and assigns of such person, unless the context clearly indicates otherwise.

(G) Any reference to a period of days shall be deemed to mean a period of calendar days, unless business days are specified.

(H) Any references herein or in the Financing Documents to any of the Financing Documents shall be deemed to include any amendments, modifications, supplements, replacements,

substitutions, allonges, appendixes, attachments, exhibits and schedules thereto or therefor, now existing or hereafter created.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations by the Authority. The Authority represents and warrants that:

(1) It is a body corporate and politic of the State, duly organized and existing under the laws of the State including the Act. The Authority is authorized to make the Loan and to use the proceeds of the Bonds to finance the Project.

(2) The Authority has full power and authority pursuant to the Act to consummate all transactions contemplated by the Financing Documents.

Section 2.2 Representations by the Borrower. The Borrower represents and warrants that:

(1) The Borrower has been duly incorporated and validly exists as a corporation in good standing under the laws of the state of Delaware, is duly qualified to do business and in good standing in any other state or jurisdiction where the Borrower does business and such qualification is required, is not in violation of any provision of its articles of incorporation or its bylaws, has power to own the Collateral, to operate the Project and to enter into and perform the Financing Documents, and by proper corporate action has duly authorized the execution and delivery of the Financing Documents.

(2) The Financing Documents constitute valid and legally binding obligations of the Borrower, enforceable in accordance with their respective terms.

(3) Neither the execution and delivery of the Financing Documents, the consummation of the transactions contemplated thereby, nor the fulfillment by the Borrower of or compliance by the Borrower with the terms and conditions thereof is prevented or limited by or conflicts with or results in a breach of, or default under the terms and conditions or provisions of the Borrower's articles of incorporation or bylaws or any contractual or other restriction on the Borrower, evidence of indebtedness or agreement or instrument of whatever nature to which the Borrower is now a party or by which it is bound. To the best of Borrower's knowledge, after due inquiry, no event has occurred and no condition exists which, upon the execution and delivery of any of the Financing Documents constitutes an Event of Default hereunder or an event of default thereunder or, but for the passage of time or the giving of notice, would constitute an Event of Default hereunder or an event of default thereunder.

(4) There is no action or proceeding pending or, to the knowledge of the Borrower, threatened against the Borrower before any court, administrative agency or arbitration board that may materially and adversely affect the ability of the Borrower to perform its obligations under the Financing Documents, and all authorizations, consents and approvals of governmental bodies or agencies required in connection with the execution and delivery of the Financing

Documents and in connection with the performance of the Borrower's obligations hereunder or thereunder have been obtained.

(5) The execution, delivery and performance of the Financing Documents and any other instrument delivered by the Borrower pursuant to the terms hereof or thereof are within the corporate powers of the Borrower and have been duly authorized and approved by the board of directors of the Borrower and are not in contravention of law or of the Borrower's articles of incorporation or bylaws, as amended to date, or of any undertaking or agreement to which the Borrower or any Affiliate is a party or by which it is bound.

(6) The Borrower's operation of the Project is in substantial compliance with all applicable federal, state and local laws and ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality.

(7) The Borrower has obtained or will obtain all necessary approvals from any and all governmental agencies requisite to the Project, and has obtained or will obtain all required permits and authorizations from appropriate authorities authorizing the occupancy and uses of the Project for the purposes contemplated hereby.

(8) The Borrower has, except as otherwise disclosed to the Authority, never received any notice of violations of federal, state or local laws, ordinances, rules, regulations or policies governing the use, storage, manufacture, transport or disposal of any hazardous materials (as defined in 38 M.R.S.A. Section 1401(2)), that it has no knowledge of any such violations or of any such notices of violations at any time in the past pertaining to the real estate on which the Project is located (the "Project Realty") or to other real estate which was described in the same deed as the Project Realty on or after July 1, 1987. Borrower and the Authority each acknowledge that the Project Realty may have been used for the storage, disposal, or transport of hazardous materials. *On even date herewith the Borrower will provide to the Authority an Environmental Indemnification.*

(9) The Borrower has good and merchantable title to the Collateral owned by the Borrower as of the date hereof, free and clear of liens and encumbrances, except for Permitted Encumbrances.

(10) The Borrower will not take or omit to take any action which action or omission will in any way cause the proceeds of the Loan to be applied in a manner contrary to that provided in the Financing Documents.

ARTICLE III

THE LOAN

Section 3.1 Loan Clauses. (A) Subject to the conditions and in accordance with the terms and conditions of this Agreement, the Authority agrees to lend to the Borrower \$2,000,000.

(B) At the time of receipt of the Loan proceeds, the Borrower will execute the Note. The Borrower agrees to repay the Loan in accordance with the terms of the Note, this Agreement and all other Financing Documents.

Section 3.2 Additional Amounts Payable. (A) The Borrower hereby further expressly agrees to pay to the Authority as and when the same shall become due the reasonable fees, charges and expenses of the Authority in connection with the collection of the Loan or exercise of any rights or responsibilities under the Financing Documents, including charges of counsel.

(B) The Borrower also agrees to pay all amounts payable by it under the Financing Documents at the time, in the manner and to the party therein provided, without delay, reduction or offset of any kind or for any reason.

Section 3.3 Manner of Payment. The Loan payments provided for in Section 3.1 of this Agreement shall be made by any reasonable method to the Finance Authority of Maine ("FAME"). The Borrower acknowledges that FAME is acting as the Authority's agent for servicing and administration of the Loan. The additional payments provided for in Section 3.2 hereof shall be made in the same manner directly to the entitled party. In the event a party entitled to payment directs in writing that such payment be made to another party, the Borrower shall make payments to such designee.

Section 3.4 Obligations Unconditional. The obligations of the Borrower under the Financing Documents shall be absolute and unconditional, irrespective of any defense or any rights of setoff, recoupment or counterclaim it might otherwise have against the Authority. The Borrower will not suspend or discontinue any such payment or terminate this Agreement (other than in the manner provided for hereunder) for any cause, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, failure of title, or commercial frustration of purpose, or any damage to or destruction of the Project, or any change in the tax or other laws of the United States, the State or any political subdivision of either thereof or any failure of the Authority to perform and observe any agreement or covenant, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Financing Documents.

Section 3.5 Nonrecourse Nature of Obligations. The obligations of the Borrower hereunder are limited to the Wharfage Fees payable hereunder together with the Collateral. The liability of Borrower hereunder shall at all times be limited to the BAR Pier (later the Dry Cargo Pier) and the real and personal property pledged as security hereunder. The Authority shall look solely to the Dry Cargo Pier, the Headlands, and the collateral securing each obligation, in satisfaction of the obligations identified herein.

Section 3.6 Security Clauses. In order to secure its Loan obligations hereunder, the Borrower has pledged or caused to be pledged the Collateral to the Authority.

Section 3.7 Effective Date and Term. This Agreement shall become effective upon its execution and delivery by the parties hereto, shall remain in full force from such date and, subject to the provisions hereof (including particularly Articles VII and VIII), shall expire on such date as

the obligations evidenced by the Note, this Agreement and the other Financing Documents shall be discharged and satisfied in full by the Borrower. The Borrower's obligations under Sections 6.2, 6.3 and 6.4 hereof, however, shall survive the expiration of the remainder of this Agreement.

ARTICLE IV

THE PROJECT

Section 4.1 No Nuisance. The Borrower shall not permit or suffer others to commit a nuisance in or about the Project or itself commit a nuisance in connection with its use or occupancy of the Project.

Section 4.2 No Warranty Regarding Condition, Suitability or Cost of Project. The Authority, in connection with this Loan, makes no warranty, either expressed or implied, as to the Project or its condition or that it will be suitable for the Borrower's purposes or needs, or that the hazard and liability insurance required under the Financing Documents will be adequate to protect the Borrower's business or interests, or that the proceeds of the Loan will be sufficient to pay the costs of the Project.

ARTICLE V

CONDEMNATION, DAMAGE AND INSURANCE PROCEEDS

Section 5.1 No Abatement of Payments Hereunder. If all or any portion of the Collateral shall be damaged or either partially or totally destroyed, or if title to or the temporary use of the whole or any part thereof shall be taken or condemned by a competent authority for any public use or purpose, there shall be no abatement or reduction in the amounts payable by the Borrower hereunder and the Borrower shall continue to be obligated to make such payments. In any such case the Borrower shall promptly give written notice thereof to the Authority.

Section 5.2 Project Disposition Upon Condemnation, Damage or Destruction. In the event of any such condemnation, damage or destruction, the provisions of the applicable Financing Documents shall govern the disposition of the Collateral.

Section 5.3 Application of Net Proceeds of Insurance or Condemnation. The Net Proceeds of any insurance or condemnation award with respect to the Collateral shall be paid to the Authority and may in the Authority's sole judgment and discretion be applied in reduction of the outstanding balance of the Note.

Section 5.4 Application of Net Proceeds of Title Insurance. Any Net Proceeds of any title insurance with respect to the Project shall be paid to the Authority and may in the Authority's sole judgment and discretion either be applied in reduction of the outstanding balance of the Note or may be applied to remedy the defect in title if such proceeds are sufficient with other amounts made available by the Borrower to remedy the defect.

ARTICLE VI

COVENANTS

Section 6.1 The Borrower to Maintain its Corporate Existence. The Borrower covenants and agrees that during the term of this Agreement it will maintain its corporate existence, will continue to be a corporation either organized under the laws of or duly qualified to do business as a foreign corporation in the State and in all jurisdictions necessary in the operation of its business, will not without the express written consent of the Authority dissolve or otherwise sell or dispose of all or substantially all of its assets, will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it.

Section 6.2 Indemnification, Payment of Expenses and Advances. (A) The Borrower agrees to protect, defend and hold harmless the Authority and its officers, members and employees (each an "Indemnified Party") from any claim, demand, suit or action or other proceeding whatsoever by any person or entity whatsoever, arising or purportedly arising from or in connection with the Financing Documents, or the transactions contemplated thereby or actions taken thereunder, except for any willful misconduct or gross negligence on the part of the Indemnified Party.

(B) The Authority shall not hereby be or become liable for any damage or injury to the persons or property of the Borrower or its members, officers, agents, servants or employees, or any other person who may be about the Project, due to any act or omission of any person other than the Authority its respective members, officers, agents, servants and employees.

(C) [Reserved]

(D) All covenants, stipulations, promises, agreements and obligations of the Authority contained herein shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not of any member, officer or employee of the Authority in his or her individual capacity, and no recourse shall be had for the payment of the Loan or for any claim based thereon or hereunder against any member, officer or employee of the Authority.

(E) In case any action shall be brought against one or more of the Indemnified Parties based upon any of the above and in respect of which indemnity may be sought against the Borrower, such Indemnified Party shall notify the Borrower in writing, enclosing a copy of all papers served, but the omission so to notify the Borrower of any such action shall not relieve it of any liability which it may have to any Indemnified Party other than under this Section 6.2. In case any such action shall be brought against any Indemnified Party and it shall notify the Borrower of the commencement thereof, the Borrower shall be entitled to participate in and, to the extent that it shall wish, to assume the defense thereof with counsel satisfactory to such Indemnified Party, and after notice from the Borrower to such Indemnified Party of the Borrower's election so to assume the defense thereof the Borrower shall not be liable to such Indemnified Party for any legal or other expenses, other than reasonable costs of investigation subsequently incurred by such Indemnified Party in connection with the defense thereof. The Indemnified Party shall have the right to employ its own counsel in any such action, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the employment of counsel by such Indemnified Party has been

authorized by the Borrower, (ii) the Indemnified Party shall have reasonably concluded that there may be a conflict of interest between the Borrower and the Indemnified Party in the conduct or the defense of such action (in which case the Borrower shall not have the right to direct the defense of such action on behalf of the Indemnified Party), or (iii) the Borrower shall not in fact have employed counsel satisfactory to the Indemnified Party to assume the defense of such action.

(F) The Borrower also agrees to pay all reasonable and necessary out-of-pocket expenses of the Authority (including charges of counsel) in connection with the enforcement of any rights relating to the Loan or any of the Financing Documents and the enforcement of any rights thereunder, including without limitation, any fees, charges and expenses (including charges of counsel) incurred by the Authority in connection with matters of title, collateral security, and financing and continuation statements.

(G) In the event the Borrower fails to pay any amount or perform any act under the Financing Documents the Authority may, but shall have no obligation to, pay the amount or perform the act, in which event the costs, disbursements, expenses and charges of counsel thereof, together with interest thereon from the date the expense is paid or incurred at the rate on the Note shall be an additional obligation hereunder payable on demand.

(H) The obligations of the Borrower under this section shall survive the termination of this Agreement. This section is not for the benefit of any person not an Indemnified Party, and no waiver of the Maine Tort Claims Act or other applicable law is intended.

Section 6.3 Environmental Covenants. (A) The Borrower covenants that except as identified on Schedule 6.4 annexed hereto, it has not, except in the ordinary course of Borrower's business and in compliance with applicable law, discharged, dumped, installed, stored, used, treated, transported, disposed or maintained, and shall neither discharge, dump, install, store, use, treat, transport, dispose or maintain toxic, hazardous, or radioactive substances, materials or wastes, including, without limitation, all of the following: (a) asbestos in any form; (b) urea formaldehyde foam insulation; (c) transformers or other equipment which contain dielectric fluid containing any level of polychlorinated biphenyls or (d) any other chemical, material or substance which is prohibited, limited, or regulated by any federal, state, county, regional, local, or other governmental authority or which, even if not so regulated, may or could pose a hazard to the health and safety of the occupants of the Collateral or the owners of property adjacent to the Collateral (all of which are referred to collectively herein as "Hazardous Substances"), and that neither the Collateral nor the Borrower or Guarantors is the subject of any existing, pending or threatened investigation or inquiry by, or of any remedial order or obligation issued by or at the behest of, any governmental authority under any law, rule or regulation pertaining to health or the environment. The Borrower shall keep the Collateral free from any Hazardous Substance, except those used in the ordinary course of Borrower's business and in compliance with applicable law. If the Borrower fails to take with diligence any action reasonably required by the Authority as holder of a mortgage or required by any governmental entity with appropriate jurisdiction with respect to the handling, management or remediation of any Hazardous Substances, materials or wastes on the Collateral, the Authority, at its option, may enter upon the Collateral, retain such experts and consultants at the expense of Borrower and take such action as the Authority deems advisable, and may advance such sums of

money as they deem necessary with respect to the handling, management or remediation of the Collateral; Borrower shall pay to the Authority immediately upon demand, all sums of money advanced or expended by the Authority pursuant to this paragraph, together with interest on each such advancement at a rate of interest that is one percent (1%) per annum greater than the interest rate per annum required by the Note, and all such sums, and the interest thereon, shall be secured by the Financing Documents, as sums spent to preserve and protect the security.

(B) The Borrower shall (i) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to properly handle, manage and, if applicable, remediate all Hazardous Substances on, under, from or affecting the Collateral in accordance with all applicable federal, State, and local laws, ordinances, rules, regulations and policies in accordance with the orders and directives of all federal, State and local governmental authorities with appropriate jurisdiction, and (ii) defend, indemnify and hold harmless the Authority, its employees, agents, officers, members and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (1) the presence, disposal, release or threatened release of any Hazardous Substances on, over, under, from or affecting the Collateral or the soil, water, vegetation, buildings, personal property, persons or animals thereon; (2) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Substances; (3) any lawsuit brought or threatened, settlement reached or government order relating to such Hazardous Substances, and/or (4) any violation of laws, orders, regulations, requirements or demands of government authorities which are based upon or in any way related to such Hazardous Substances including, without limitation, attorney's and consultant's fees, investigation and laboratory fees, court costs and litigation expenses.

(C) The Borrower agrees to immediately notify the Authority in writing upon its receipt of any of the following: (i) any notice of any violation or potential violation of any federal, State or local environmental or land use laws, ordinances or regulation; (ii) any notice of the initiation of any environmental enforcement action or private environmental suits against the Borrower or any tenant of the Project; or (iii) any release of any such Hazardous Substances on or from the Project which violates or may cause a violation of any federal, State or local law, ordinance or regulation.

(D) The Authority has the right, but shall not be obligated, to notify any State, federal or local governmental authority of information which may come to its attention with respect to Hazardous Substances on or emanating from the Collateral and Borrower irrevocably releases the Authority from any claims of loss, damage, liability, expense or injury relating to or arising from, directly or indirectly, any such disclosure.

(E) At all times during the term of the Loan, if the Authority has a reasonable basis to believe that there Hazardous Substances are being used, stored, transported, or disposed of on the Collateral in a manner other than in accordance with applicable law, the Authority may require the Borrower to provide the Authority, at the expense of Borrower, a written report of an investigation, inspection or audit of the Collateral, relating to the presence or absence of Hazardous Substances and, if present, the use, handling and storage thereof. The Borrower shall also provide the Authority,

at the expense of Borrower, with copies of all written reports of investigations, inspections or audits of the Collateral relating to the presence or absence of Hazardous Substances. The Borrower will permit the Authority, at reasonable times and on reasonable notice, to so inspect or audit the Collateral at the Borrower's expense, and Borrower hereby grants to the Authority its employees, agents and independent contractors, the right to enter upon the Collateral for the purpose of conducting such tests, soil borings, the installation of monitoring wells and such other tests as the Authority deems reasonably necessary or desirable.

(F) The liability of the Borrower to the Authority under the covenants of this Section is not limited by any exculpatory provision in the Note or in the other Financing Documents and shall survive any assignment, transfer, discharge or foreclosure of the Mortgage or any transfer of the Collateral by deed in lieu of foreclosure, and any one or more transfers of the Collateral by deed or otherwise, by whomsoever made, it being the intent hereof that the Authority may seek recourse against the Borrower hereunder after any number of such transfers or other events.

Section 6.4 Further Assurances and Corrective Instruments. The Authority and the Borrower agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Collateral or for carrying out the intention of or facilitating the performance of this Agreement and the Financing Documents.

Section 6.5 Maintenance and Modifications of Collateral. (A) The Borrower agrees that it will at its own expense keep, or cause to be kept, the Collateral in reasonably safe repair and operating condition as is needed for continued operation, use and occupancy of the Collateral, make or cause to be made all necessary repairs and replacements to the Collateral, and operate the Collateral in a sound and economic manner.

(B) The Borrower shall have the privilege of making additions or improvements to the Collateral that do not materially impair the effective use or value of the Collateral. The Borrower's privilege under this subsection shall terminate upon the occurrence and continuation of any Event of Default, as hereinafter defined.

(C) The Borrower shall keep the Collateral free and clear of all liens and encumbrances other than Permitted Encumbrances.

Section 6.6 Assignment of Agreement or Notes. Except as otherwise expressly provided for in this Agreement, the Borrower may not assign its rights, interests or obligations hereunder or under the Note or other Financing Documents without the express prior written approval of the Authority.

Section 6.7 Inspection. The Authority and its duly authorized agents shall have (i) the right at all reasonable times on reasonable prior notice to Borrower to enter upon and to examine and inspect the Collateral and (ii) such rights of access thereto as may be reasonably necessary for the proper maintenance and repair thereof in the event of failure by the Borrower to perform its obligations under this Agreement (provided that the Authority shall have no obligation or duty to

undertake such maintenance and repair). The Authority and its duly authorized agents shall also be permitted, at all reasonable times, to examine the books and records of the Borrower with respect to the Collateral and the Borrower shall furnish the Authority with such information, statements and certificates as may be required from time to time.

Section 6.8 Default and Litigation Notification. The Borrower shall, at the request of the Authority, deliver to the Authority within ninety (90) days after the close of each fiscal year of the Borrower, a certificate signed by an authorized representative of the Borrower to the effect that the Borrower is in compliance with the provisions of the Financing Documents or specifying the nature of the noncompliance and the steps the Borrower is taking to correct any noncompliance. Upon becoming aware of any condition or event which constitutes, or with the giving of notice or the passage of time would constitute, an Event of Default, the Borrower immediately shall deliver to the Authority a notice stating the existence and nature thereof and specifying the corrective steps the Borrower is taking with respect thereto. The Borrower shall promptly notify the Authority of the commencement of any litigation, administrative, enforcement or other proceeding by or against it, or the threat thereof, in which an unfavorable outcome could materially affect the operation of the Borrower's business or compliance with the Financing Documents.

Section 6.9 Financial Statements. The Borrower shall provide the Authority with such interim balance sheets and income statements and such annual balance sheets, profit and loss statements, income statements, reconciliation of capital accounts, statements of changes in financial positions and statements itemizing fixed asset acquisition and dispositions as set forth on Exhibit B.

Section 6.10 Governmental Payments and Requirements. The Borrower shall pay when due all taxes, assessments, fines, penalties, and any other governmental charges assessed against or due in connection with the Borrower, its business or any of its real or personal property, and the Collateral, and further shall comply with all governmental laws, rules and regulations, ordinances, orders and decrees relating to the Borrower, its business, property and the Collateral, including, without limiting the generality of the foregoing, laws relating to employment practices, safety and retirement, as applicable.

Section 6.11 Insurance Required. While the Loan is outstanding, Borrower will pay, one hundred percent (100%) of the premiums necessary to maintain, and Borrower shall keep the Premises continually insured as herein set forth below.

(A) Broad form fire and extended property insurance (including Business Income and Extra Expense coverage in an amount needed to satisfy one year of Borrower's Total Payment Obligation's set forth in Section VI(A) of the Project Funding Agreement) in an amount equal to the full insurable current replacement value of the Premises, against loss or damage by fire, lightning, wave, wash and ice and other perils with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in Maine. All property insurance shall name the Authority as an Additional Insured and Loss Payee;

(B) Commercial General Liability insurance in an amount not less than to the extent of Five Million Dollars (\$5,000,000.00) per occurrence and Ten Million Dollars (\$10,000,000.00) annual aggregate covering liability for bodily injury, including death resulting therefrom, and liability for damage to property, including loss of use thereof, occurring on or in any way related to the Premises or any part thereof with the Authority named as an Additional Insured. Such policy shall also include hazards of operations, independent contractors, and contractual liability coverage.

(C) Pollution and Remediation Legal Liability insurance for the risk of sudden or accidental discharge of pollutants in amount not less than Forty Million Dollars (\$40,000,000.00) covering: (a) bodily injury and property damage both on and off the Premises from pollution, including economic loss, (b) clean-up costs on and off the Premises; (c) liability for and financial responsibility in respect to pollution under all applicable federal and state statutes and regulations including, but not limited to the Oil Pollution Act of 1990, 33 USC §2700, et. seq. the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et. seq. (CERCLA), the Federal Water Pollution Prevention and Control Act, 33 U.S.C. §1251 et seq. (FWPCA), and the Oil Discharge Prevention and Pollution Control Act, 33 U.S.C. §1901 et seq. The Authority shall be named as an Additional Insured under said policy.

(D) Terminal Operator's Legal Liability insurance including without limitation coverage of Borrower's exposures as Wharfinger, Stevedore, and Warehouseman, respectively, with minimum limits of Five Million Dollars (\$5,000,000). The Authority shall be named as Additional Insured under said policy.

(E) Borrower shall be solely responsible for any and all claims made by its employees under Maine's workers compensation laws and shall maintain appropriate insurance in respect to such claims in compliance with all applicable laws including coverage for claims under the United States Longshoreman's and Harbor Workers' Compensation Act. Borrower shall indemnify and hold harmless the Authority for any claims of any employee at or arising in connection with operations at the Premises.

If the Borrower fails to maintain any required insurance, the Authority may, but shall have no obligation to, procure such insurance and add the premiums due thereunder, and any costs and expenses relating thereto, to the Borrower's obligations to be repaid immediately upon demand and secured by the Financing Documents pursuant to subsection 6.2(G) hereof.

Section 6.12 Eligible Project. The Borrower covenants that it will use and occupy the Collateral for so long as any portion of the Loan is outstanding and that it will use and occupy the Collateral only for such purposes as it was originally approved.

Section 6.13 Additional Covenants and Agreements. The Borrower hereby agrees to those Additional Covenants and other matters set forth in **Exhibit B** hereto.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1 Events of Default. Any one or more of the following shall constitute an "Event of Default" hereunder:

(1) Any written representation or warranty made by the Borrower in the Financing Documents or any material certificate, statement, data or information furnished by the Borrower in connection therewith or pursuant thereto, or included by the Borrower in its application to the Authority for assistance proves at any time to have been materially false, untrue or incorrect when made in any material respect.

(2) Failure to make any Wharfage Fee payment when due, unless such failure is cured by paying the overdue fees and all late fees and interest within thirty (30) days of written demand;

(3) Failure to make any other payment required of Borrower pursuant to any of the Financing Documents, including without limitation, taxes or any assessment which may result in a lien on the Collateral and such failure is not cured within 30 days of written demand;

(4) Failure to pay the Loan in full by its maturity date.

(5) Failure to substantially complete the fit up necessary to commence operations on the Dry Cargo Pier within 90 days after the Authority has determined that the Dry Cargo Pier is complete, subject to extraordinary weather conditions and delays clearly beyond Borrower's control;

(6) The breach by Borrower of any other material obligation under the Loan Agreement (not identified in (1) or (2)), and such breach shall not have been cured within 60 days after the sending of notice identifying the breach from the Authority to Borrower, provided that if such breach cannot with due diligence be cured within 60 days, the time within which such default may be cured shall be extended for such period of time reasonably necessary to cure the default with all due diligence;

(7) Any default under the License and Operating Agreement, subject to the notice and cure periods set forth therein;

(8) Except with the prior consent of the Authority, (a) any sale of all or substantially all of Borrower's assets; or (b) any sale of all or substantially all of Borrower's assets at or relating to the Mack Point Project; or (c) any merger or consolidation in which Borrower is a participant corporation, or any vote by the shareholders of Borrower to approve such a merger or consolidation; or (d) the sale or

removal without replacement of any asset material to the operation of either of the Mack Point Piers. In any such event such consent shall not be unreasonably withheld or delayed, but any transaction under a, b, c or d, such event shall be subject to assumption by Borrower's transferee hereunder;

(9) The filing by Borrower of a voluntary petition for relief under the United States Bankruptcy Code, as amended from time to time, or any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, receivership, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or the Company shall be adjudicated insolvent or bankrupt by decree of a court of competent jurisdiction; or Borrower shall petition or apply for or acquiesce in, or consent to the appointment of, any receiver or trustee; or for all or any part of its property; or Borrower shall make an assignment for the benefit of creditors; or Borrower shall admit in writing its inability to pay its debts as they mature;

(10) Borrower shall cease business operations at Searsport (other than as may be necessary or desirable for seasonal purposes or capital improvements); or

(11) There shall be filed against Borrower any involuntary petition for relief under the United States Bankruptcy Code, as amended from time to time, or there shall be commenced against Borrower any proceeding relating to Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, receivership, dissolution, or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, and such petition or any such proceeding shall remain undismissed for a period of 90 days or Borrower by any act indicates its consent to, approval of, or acquiescence in, such petition or any such proceeding; or a receiver or trustee shall be appointed for Borrower or for all or a substantial part of the property of the Company and such receivership or trusteeship shall remain undischarged for a period of 90 days; or a writ of attachment, execution, or similar process shall be issued against any material part of Borrower's property or assets relating to the Mack Point Project and the same shall not be dismissed or bonded or reserved for within 60 days.

Section 7.2 Remedies on Default. Upon the occurrence of an Event of Default, the Authority shall have the option at its sole discretion to effect the following remedies:

- (1) Declare all amounts payable under the Financing Documents to be immediately due and payable without notice or demand of any kind, whereupon the same shall become immediately due and payable.
- (2) Exercise any and all rights and remedies provided for under any or all of the Financing Documents.
- (3) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce

the performance or observance of the obligations, agreements, and covenants of the Borrower under the Financing Documents.

Section 7.3 No Duty to Mitigate Damages. Unless otherwise required by law, the Authority shall not be obligated to do any act whatsoever or exercise any diligence whatsoever to mitigate the damages to the Borrower if an Event of Default shall occur with respect to this Loan.

Section 7.4 Remedies Cumulative. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other available remedy or remedies but each and every such remedy shall be cumulative and shall be in addition to every remedy given under this Agreement, the Financing Documents, or now or hereafter existing at law or in equity or by statute. Delay or omission to exercise any right or power accruing upon any default or failure to insist upon the strict performance of any of the covenants and agreements herein set forth or to exercise any rights or remedies upon default by the Borrower hereunder shall not impair any such right or power or be considered or taken as a waiver or relinquishment for the future of the right to insist upon and to enforce, by injunction or other appropriate legal or equitable remedy, strict compliance by the Borrower with all of the covenants and conditions hereof, or of the right to exercise any such rights or remedies, if such default by the Borrower be continued or repeated.

ARTICLE VIII

OPTIONAL PREPAYMENT

Section 8.1 Optional Prepayment. (A) The Borrower shall have the option to prepay the Loan, in whole or in part, without penalty or premium of any type or nature.

(B) In the event of any prepayment of its Loan obligation, the Borrower shall, at the time of such prepayment, also pay or provide for the payment of all reasonable or necessary fees and expenses (including charges of counsel) of the Authority properly chargeable under this Agreement and accrued and to accrue through the application of the prepayment to the Loan. Any such prepayments shall be applied as follows: first, to the fees and expenses of the Authority as provided above; second, to all other amounts then due and payable under the Financing Documents; third, to be credited to the Note.

ARTICLE IX

GENERAL

Section 9.1 Amendments. This Agreement may be amended only with the concurring written consent of the parties hereto.

Section 9.2 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when (a) delivered in hand, or (b) three (3) business days after mailing by registered or certified mail, postage prepaid, or (c) delivered by nationally recognized private courier or overnight delivery service, charges prepaid, in each case addressed as follows: if to the Authority, to:

Maine Port Authority

Attention: John G. Melrose, Chair
c/o Commissioner, Maine Department of Transportation
16 State House Station
Augusta, Maine 04333-0016
Phone: (207) 287-2551
Facsimile: (207) 287-8300

with a copy to:

Finance Authority of Maine

83 Western Avenue
P.O. Box 949
Augusta, Maine 04332-0949
Attention: Director of Business Development
Phone: (207) 623-3263
Facsimile: (207) 623-0095

and if to the Borrower to:

Sprague Energy Corp.

Attention: Robert Blanchard, Vice President of Terminals
Two International Drive, Suite 200
Portsmouth, NH 03801
Phone: (603) 430-7232
Facsimile: (603) 430-5324

The Authority and the Borrower may, by notice given hereunder, designate any further or different addresses to which subsequent notice, certificates or other communications shall be sent.

Section 9.3 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Borrower and the Authority and their respective heirs, personal representatives, successors and assigns, provided that no consent to assignment is hereby intended.

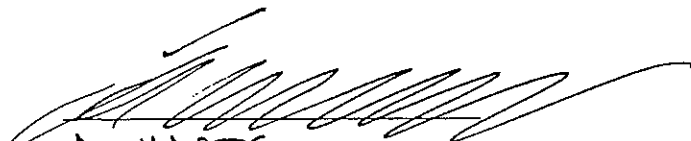
Section 9.4 Execution of Counterparts. This Agreement may be executed simultaneously in several counterparts each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.5 Project Funding Agreement Acknowledged This Agreement must be read in conjunction with the Project Funding Agreement (which the parties agree shall survive the Closing) and all Closing Documents indicated in the Project Funding Agreement.

IN WITNESS WHEREOF, the Authority has caused this Agreement to be executed in its corporate name by duly authorized representatives, and the Borrower has caused this Agreement to be executed in its corporate name and its corporate seal to be hereunto affixed by its duly authorized officer all as of the date first above written.

WITNESS:

SPRAGUE ENERGY CORP.


A. MARTS


By: Robert K. Blanchard
Its: VP

MAINE PORT AUTHORITY





By: John G. Melrose
Its: Chair

EXHIBIT A
PERMITTED ENCUMBRANCES

EXHIBIT B

ADDITIONAL COVENANTS

1. Sprague will provide environmental indemnification to the Authority reasonably acceptable to both parties, for all environmental concerns which may have accrued prior to the Closing Date, whether known or unknown, or which may hereafter accrue. Such indemnification shall exclude matters resulting solely from the demolition and disposal of the piers, pilings, fixtures and other portions of the Dry Cargo Pier all of which matters shall be the responsibility of the Department under the Construction Management Agreement.

2. Sprague may not, prior to the Closing, issue stock, change its corporate structure or ownership in any manner, dispose of all or substantially all of its assets, or consolidate with or merge into another corporation without the prior written consent of the Authority.

3. Sprague shall not mortgage, sell, pledge, assign or do any other act which would result in a lien or encumbrance or transfer of any Project assets, whether real or personal property, serving as security to the Headlands Loan, the Liquid Cargo Pier Loan and/or License and Operating Agreement without the prior written consent of the Authority.

4. Title insurance in an amount satisfactory to the Authority shall be available at the request of the Authority on the property to be mortgaged, leased or conveyed to the Authority hereunder.

5. Sprague shall provide annual unaudited financial statements prepared by Sprague's regularly employed certified public accountant or Chief Financial Officer and the annual report and audited financial statements of Axel Johnson, annually within 120 days of the end of its fiscal year end. The financial statements shall include balance sheets, profit and loss statements, and income statements. This condition shall continue in effect for the term of the Loan and the License and Operating Agreement.

6. Sprague must notify the Authority of any claim, proceedings or litigation pending against Sprague which may have a material adverse effect on the Mack Point Project or the Sprague's operations under the License and Operating Agreement throughout the term thereof and must certify prior to Closing the nature, status, and existence of any actions, suits, proceedings or investigations pending against or affecting Sprague or any properties or rights of Sprague which may have a material adverse effect on the Sprague or the Sprague's Mack Point assets or operations.

7. Sprague shall obtain and maintain in full force and effect during the term of the License and Operating Agreement on the Dry Cargo Pier and during the term of the Liquid Cargo Pier Loan on the Liquid Cargo Pier, policies of insurance (or programs of self-insurance) adequate to protect against hazard losses, liability claims and workers compensation claims, naming the Authority as loss payee on the hazard policies and co-insureds on the liability policy, which policies and programs shall in all respects be reasonably satisfactory to the Authority.

8. Sprague may not apply for any Business Equipment Tax Rebate or any similar tax rebate for equipment purchased or financed with funds provided by the Authority.

9. Sprague shall pay all costs and expenses of administration, enforcement and collection of the Headlands Loan, the Liquid Cargo Pier Loan and payments due under the License and Operating Agreement against Sprague upon default by Sprague, including reasonable attorneys fees, shall operate and maintain collateral at its own expense and shall pay all costs of filing and recording and perfecting security interests.

10. Sprague shall, upon reasonable advance request of the Authority (whether prior to or following Closing), certify to the Authority that: (a) Sprague has taken such steps as it has deemed appropriate to assess the technical and business effects of the calendar change from December 31, 1999 to January 1, 2000 (the "Year 2000 Problem") on its relevant computer-controlled systems, including but not limited to Sprague's in-house systems, external systems and system interdependencies; (b) Sprague has made such due diligence inquiries of its vendors and suppliers as it has deemed appropriate concerning the readiness of their computer-controlled systems, including but not limited to system interdependencies, to conduct business with Sprague without interruption due to the Year 2000 Problem; and (c) based on such assessment and inquiries, and except as disclosed to the Authority, Sprague's performance of its obligations under this Agreement and with respect to the Project will not be materially adversely affected by the Year 2000 Problem. This Paragraph 11 and each and every certification pursuant hereto is a Year 2000 Statement and Readiness Disclosure under the Year 2000 Information and Readiness Disclosure Act, entitled to the protections afforded by such Act.