

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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: In re : Chapter 11
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: U.S. SHIPPING PARTNERS L.P. *et al.* , : Case No. 09-12711 (RDD)
: :
: Debtors. : (Jointly Administered)
: :
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**ORDER PURSUANT TO 11 U.S.C. § 365 (b) AUTHORIZING THE DEBTORS’
REJECTION OF THE AMENDED AND RESTATED CONTRACT FOR
CONSTRUCTION OF 49,000 DWT PRODUCT/CHEMICAL TANKERS**

Upon consideration of (i) the Notice of Contract Rejection, dated September 18, 2009 [Docket #405] (the “Rejection Notice”) filed by the above-captioned debtors (collectively, the “Debtors”) as it relates to the Amended and Restated Contract for Construction of 49,000 DWT Product/Chemical Tankers, dated as of March 14, 2006 (the “Construction Contract”) between National Steel and Shipbuilding Company (“NASSCO”) and USS Product Carriers LLC (“Product Carriers”) and (ii) the Limited Objection of National Steel and Shipbuilding Company to Debtors’ Motion to Rejection Construction Contract, dated September 25, 2009 [Docket #419] (the “Limited Objection”); and due and proper notice of the Rejection Notice and the Limited Objection having been given; and this Court having proper jurisdiction and authority to consider the Rejection Notice and the Limited Objection pursuant to 28 U.S.C. §§ 157 and 1334 and the Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984 (Ward, Acting C.J.); and consideration of the Rejection Notice and the Limited Objection being a core proceeding under 28 U.S.C. § 157(b); and the Court having considered the Limited Objection at a hearing held on October 1, 2009; and good and sufficient cause having been found therefor; it is hereby

ORDERED, that the Construction Contract be and hereby is rejected pursuant to 11 U.S.C. § 365(b), and the Debtors and their estates are relieved of any further obligations under, liabilities arising from or the duty to perform under the Construction Contract, except for the liability, if any, of Product Carriers for any allowed, general unsecured, pre-petition claim filed by NASSCO against Product Carriers; and it is further

ORDERED, that rejection of the Construction Contract constitutes a prepetition breach of the Construction Contract by Product Carriers but is not a termination of the Construction Contract; and it is further

ORDERED, that to the extent permitted by the Construction Contract and applicable nonbankruptcy law, NASSCO has the immediate right to sell and assign Product Carriers' rights and interests under the Construction Contract to a third party, free of the automatic stay or any claim, security interest or cure rights in favor of Product Carriers and without further notice to the Debtors or further order of this Court; and it is further

ORDERED, that NASSCO may exercise the power of attorney granted by Product Carriers in the Construction Contract to effect the sale and assignment of the Construction Contract to the third party so long as doing so does not result in Product Carriers incurring any liability or obligations to the third party; and it is further

ORDERED, that NASSCO shall indemnify and hold harmless the Debtors and their estates from any claims made against them by any third party assignee of the Construction Contract in its capacity as assignee; and it is further

ORDERED, that, within the earlier to occur of 30 days following the effective date of any plan of reorganization in these cases or 60 days following the date of entry of this

Order, NASSCO may file a pre-petition, general unsecured claim for damages, if any, against Product Carriers under the Construction Contract arising as a result of the rejection.

Dated: New York, New York
October 6, 2009

/s/Robert D. Drain
HONORABLE ROBERT D. DRAIN
UNITED STATES BANKRUPTCY JUDGE