



29 SEP '98

12:10 PM

RECORDED BOOK 98-113 PAGE 541
Wally D. Block
DOCUMENTATION OFFICER

Filed by and return to:

Firm Name: NEW ENGLAND MARINE DOC SERVICE
Address: 10 MT VERNON STE #253, WINCHESTER, MA 01890
Telephone No. (781) 721-4500
Fax No. (781) 721-5509

PREFERRED SHIP MORTGAGE made 08/27/98 (Effective Date, if different than date of signing of Mortgage: _____).

Under Title 46, Subtitle 111, Chapter 113 of the U.S. Code, "Commercial Instruments and Mortgages" as amended (sometimes called "Federal Mortgage Law") securing A Consumer Note and Security Agreement (the "Note") dated on or about 08/27/98 given by ROBERT S. DOTY as borrower to The CIT Group/ Sales Financing, Inc. covering the Boat described in section 2 below.

NOTICE TO PREPARER AND PARTIES: The Mortgage must be signed before it is acknowledged. The Mortgage may be effective as of the date it is signed or as of a future date but not as of a date before it was signed.

This is a Preferred Ship Mortgage (the "Mortgage") on the vessel described below (the "Boat") which is being created under Federal Mortgage Law. The Amount of the Mortgage, as required to be shown by the Federal Mortgage Law, is the Amount Financed under the Note of \$ 109,683.00. This Mortgage also secures repayment of interest computed on a simple interest basis as it accrues and performance of Mortgage representations, warranties and promises.

1. PARTIES: Mortgagor (Check applicable box(es))

Owning the boat as

Tenants by the entirety

One individual

Joint tenants with right of survivorship

Individuals, as tenants in common each owning an undivided _____% interest in the Boat

Community property

Other _____

Wally D. Block - 10/19/98

If the Boat is owned by more than one person and is titled or registered in a state that shows only the name(s) of the owner(s) and not the form of ownership, the certificate of federal documentation for the

SEE PAGES 2, 3, 4, 5, 6, 7, AND 8 FOR ADDITIONAL IMPORTANT TERMS

08/26/98 17:03

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2-2211A(3/98) Marine Mortgage

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Boat (or, if not yet issued, the application for such certificate) shall control as to the form of ownership.

Name(s): **ROBERT S. DOTY**
(together called "Mortgagor"), who (is) (are) the sole owner(s) of the Boat, and reside(s) at
5337 N MACARTHUR BLVD NO 3122 IRVING, TX 75038

Mortgagee: **THE CIT GROUP/SALES FINANCING, INC.**

Address: **P.O. BOX 24610, OKLAHOMA CITY, OK 73124-0610**

The words you and your mean everyone who signs this Mortgage as Mortgagor and, where applicable, any Other Owner, and the personal representatives, successors and assigns of Mortgagor and any Other Owner. The words we, us and our mean the Mortgagee and anyone who has Mortgagee's rights under this Mortgage.

2. DESCRIPTION OF BOAT. The Boat (Gas Oil Screw) covered by this Mortgage is described as follows:

<i>Year Built</i>	<i>Model Year</i>	<i>Description</i>
0	1985	HANS CHRISTIAN AUXILIARY SLOOP

C.G. Documentation to issue from
NVDC, Falling Waters, WV

<i>Official No.</i> 683182	<i>Hull I.D. No.</i> XSA380960585
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<i>Summer Mooring</i>	<i>Winter Mooring/Storage (if different from Summer Mooring)</i>
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<i>Hailing Port</i> JACKSONVILLE FL	<i>Vessel Name</i> CANDIDE	<i>Former Name of Vessel (if any)</i> PRAIRIE DREAM
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3. MORE THAN ONE MORTGAGOR: If more than one of you signs this Mortgage as Mortgagor, each of you is responsible for repayment of the full amount of the Debt and doing everything required of Mortgagor, unless specifically stated otherwise below. We may sue one Mortgagor without joining or notifying any co-Mortgagor. We do not have to notify one Mortgagor that another has defaulted under this Mortgage. We may give one Mortgagor extensions to pay or change or release such Mortgagor's responsibility without releasing any co-Mortgagor or treating a co-Mortgagor in the same way. Each person who signs this Mortgage as an Other Owner makes all of the title warranties and joins in giving the security interest/lien of this mortgage but makes none of the other promises, except with respect to citizenship.

SEE PAGES 1, 3, 4, 5, 6, 7, AND 8 FOR ADDITIONAL IMPORTANT TERMS

4. **MORTGAGE DEBT:** This Mortgage secures the obligations (the "Debt") now due or which may become due in the future to us under the Note and the full and timely performance of the obligations of Mortgagor under this Mortgage (collectively the Debt and other obligations are called the "Obligations").

5. **PAYMENT:** Except as limited for Other Owners in section 3 above, you will pay and perform the Obligations.

6. **GOVERNING LAW:** The parties have chosen Federal Mortgage Law to cover all of the provisions of this Mortgage. In particular, 46 U.S.C. S31322(b) covers the interest provisions of the Note and this Mortgage. To the extent not in conflict with Federal Mortgage Law, gaps in Federal Mortgage Law as to non-interest provisions, and only to such extent, shall be governed by the law of the State of TEXAS ("the State Governing Law"). In the case of remedies, the law of the state where a given remedy is to be exercised may govern, unless preempted by Federal Mortgage Law.

7. **MORTGAGE:** To secure the Obligations, you mortgage to us the whole of the Boat named above together with all masts, towers, boilers, cables, engines, machinery, bowsprits, sails, rigging, auxiliary boats, anchors, chains, tackle, apparel, furniture, fittings, tools, pumps, radar and other electronic or other equipment and supplies, and all fishing and other attachments and accessories, now forming part of the Boat or used in or on the Boat or which may become part of the Boat in the future, whether or not removed from the Boat (all called the "Boat"). In any event, this Mortgage shall cover only items which may be mortgaged with preferred status under the Federal Mortgage Law. This Mortgage also shall not include any consumer goods added within ten (10) days after the date of the Note that are not made a part of the Boat or, if not a part of the Boat, were not acquired with the proceeds of the Note. This Mortgage may be filed before a certificate of documentation has been issued.

8. **CITIZENSHIP; COMMAND:** Until this Mortgage is fully paid, you will remain a citizen of the United States within the meaning of the Shipping Act of 1916, as amended, and other applicable federal law and regulations, as amended. The Boat will at all times be under the command of a citizen of the United States unless the Boat is documented for recreational purposes only and so used, in which case the command of the Boat may be exercised by a non-U.S. citizen otherwise in compliance with applicable law.

9. **FEDERAL DOCUMENTATION AND CONTINUED OWNERSHIP:** You are the sole owner of the Boat which is or is to be documented under your name under the laws of the United States. We may surrender any state certificate of title or ownership covering the Boat as required by federal law prior to the issuance of a certificate of documentation. If such a certificate of title or ownership is in your possession, you will surrender it to us for such purpose. Once the boat is documented in your name, you will continue to keep such certificate of documentation and your right to own and operate the Boat under its Coast Guard license in force until this Mortgage is fully paid. If you are a trust or partnership, any substitution or replacement of a trust beneficiary or partner, as appropriate, must be reflected in a change of your certificate of documentation to which our consent has been given in writing.

10. **DISPLAY OF MORTGAGE ON BOAT:** You will prominently display and keep the Boat's certificate of documentation and a completed copy of this Mortgage with the Boat's papers in the pilot house, if any, chart room or master's cabin. You will show them to all persons having business with the Boat and to us on demand. You will also post a notice in the cabin identifying the owner of the Boat and the Mortgage as such.

SEE PAGES 1, 2, 4, 5, 6, 7, AND 8 FOR ADDITIONAL IMPORTANT TERMS

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11. RECEIPT OF TERMINATION FILINGS: We are authorized to receive all state or federal termination filings with respect to the Boat. In turn, we may designate a documentation service to receive such items for us. When this Mortgage is satisfied, we may file a discharge directly with the U.S. Coast Guard and give you proof of filing or we may give you the discharge for you to file. We will advise the action we plan to take when the Mortgage has been satisfied.

12. MARKING: You have caused the name, hailing port and official U.S. Coast Guard number to be marked on the Boat where required by federal law or, if obtained prior to closing of the loan reflected by the Note, our written permission to complete such marking within the time allowed by our loan closing approval. In the case of any delayed marking, you must furnish us with a certificate describing how the Boat has been marked prior to the expiration of the approved period of delay.

13. NO PRIOR LIENS: On the date of this Mortgage, you lawfully own and possess the Boat free from all liens and encumbrances, except for the lien of this Mortgage.

14. TITLE WARRANTY: You warrant title to the Boat. This means that you own the Boat and you are responsible for our expenses or losses if anyone other than we successfully claims an interest in the Boat or any part of it which adversely affects or forces us to incur expense to defend our security interest in the Boat.

15. RISK OF LOSS: Damage, destruction or other loss of the Boat will not release you from your Obligations to us under the Note or this Mortgage. You will let us know as soon as you can if the Boat becomes damaged or destroyed or disappears.

16. INSURANCE: Until the Mortgage is fully paid and except as restricted by the Note, you will maintain a yacht insurance policy covering the Boat for hull damage in an amount not less than the insured amount set forth in the Note or the outstanding principal balance of the Note, whichever is greater (except as otherwise restricted by State Governing Law) less the deductible specified in the Note, liability to others in the amount shown on the Note and Harbor Workers and Longshoreman's Compensation at the statutory maximum. The risks against which you must insure are: (1) fire, theft and collision; (2) water and weather condition damage; and (3) such other hazards as we may reasonably require. Subject to State Governing Law which may allow you to choose any insurer qualified to do business in the applicable state, the insurance company must be reasonably acceptable to us. The insurance must protect you and us and must be written for at least a year at a time. You must pay the premium in advance before each policy year begins and give us proof of payment. We may ask the insurance company to pay any loss to us. We may use the proceeds of the insurance either to repair the Boat or to make payments under this Mortgage. We may sign any proof of loss and endorse any check, draft or other form of payment issued by the insurance company or its agent as a loss payment. If at any time before this Mortgage is fully paid, such insurance lapses or is cancelled, we may buy replacement coverage protecting you and us or, if allowed by State Governing Law, us alone and you will pay the premiums for such coverage at our request, as required by the Note with interest at the Annual Percentage Rate in effect under the Note.

17. COMPLIANCE WITH INSURANCE AND SAFETY LAWS: You will comply with all provisions of the insurance policy or policies covering the Boat from time to time as to permitted sailing areas, mooring, seasonal layup, hours of sailing or captain or crew requirements or any other policy conditions or insured's warranties. The Boat and its equipment will comply with all federal and state safety requirements.

SEE PAGES 1, 2, 3, 5, 6, 7, AND 8 FOR ADDITIONAL IMPORTANT TERMS

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18. **USE OF THE BOAT; ALTERATIONS:** You will not extend the length of the Boat or substantially alter the Boat without our prior written consent. You will not sell the Boat, pledge it as security for a loan, give it away, lease it or charter it or otherwise use it for other than pleasure sailing without our written permission. You will not use the Boat to carry passengers for hire, permit its use for any illegal purposes or let anyone seize the Boat. You will not allow anyone to put a lien on it, except for the security interest or lien to us and crew's wages and dockage kept current, or, in an emergency, salvage (anyone who aids, tows or raises a vessel in distress has a maritime lien on the vessel which is called a "salvage lien"). If you take the Boat to another country, you will comply with the laws of such country and with any treaty between the United States and such country.

19. **LOCATION OF BOAT:** You will not, without our prior written approval, move the Boat from its summer or winter mooring or storage site(s), as the case may be, other than for voyages with the intent of returning. You will inform us of any different mooring or storage locations or of any change of your residence. You will not abandon the Boat.

20. **RESCUE OF BOAT:** If the Boat becomes imperiled, you will take all reasonable steps to rescue the Boat in accordance with the Note provision headed "Rescue of Commodity."

21. **BILLS AND TAXES:** You shall pay when due any repair, maintenance, mooring or storage bills, taxes, fines or other charges on the Boat. We may pay any of these bills, if you do not. If we do, you will repay us on demand, with interest at the Annual Percentage Rate in effect under the Note.

22. **CARE OF THE BOAT:** You will keep the Boat in good condition and repair.

23. **GOVERNMENT SEIZURE:** You will notify us promptly by telephone confirmed by facsimile, telegraph or cable if the Boat is attached, detained, seized or levied upon or taken into custody by any court or other authority. You are required to take immediate steps to have the Boat released; however, at our election we or our agents may in your name receive or take possession of the Boat and defend any action and/or discharge any lien. If the seizing agency will not release the Boat for return to you without putting us in jeopardy in case of another seizure of the Boat, you will be deemed to be in default under this Mortgage, unless you furnish us with reasonable assurance against such possible future forfeiture loss exposure, unless prohibited by State Governing Law. Such assurance may take the form of a cash deposit, bond, letter of credit or other easily sold instrument.

24. **INSPECTION OF THE BOAT AND GOODS:** You will at all times let us inspect the Boat and its cargoes and papers and examine your related accounts and records; and you shall tell us on request, from time to time, that all wages and all other claims which might have created a lien on the Boat have been paid. You will also keep a record of all repair and maintenance expenses for the Boat.

25. **FURTHER ASSURANCE:** From time to time you shall sign and deliver to us any documents and assurances that our attorney may require to complete the documentation of the Boat, to establish and to maintain the first priority of this Mortgage and to help us carry out a resale of the Boat in the event it becomes necessary for us to repossess it.

26. **ATTORNEY'S FEES AND COURT COSTS.** You agree to pay our reasonable attorney's fees and court costs, as allowed under the Note, and if proceedings are brought to foreclose this Mortgage (judicial if required) or to sue for the balance or a deficiency. You will also pay our attorney's fees and court costs incurred by us to recover the Boat in the event of its seizure or arrest by a government agency or creditor other than us.

SEE PAGES 1, 2, 3,4, 6, 7, AND 8 FOR ADDITIONAL IMPORTANT TERMS

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27. **DEFAULT:** To the extent permitted by State Governing Law or other applicable law, you will be in default if: (a) you or any guarantor for your obligations under the Note secured by this Mortgage have made a false or misleading statement about any important fact in the Note or in this Mortgage or in the application for credit approval; or (b) you default under the Note; or (c) you if you are an individual, or any guarantor, if such guarantor is an individual, become incompetent or insolvent; or (d) you or any such guarantor file for bankruptcy or similar relief or creditors file for bankruptcy against you or against any such guarantor, or you let someone put a lien on the Boat besides ours; or (e) the Boat lessens in value or becomes valueless other than through normal depreciation; or (f) you break any promise you have made in this Mortgage or in the related Note or any guarantor breaks any promise in a related guaranty; or (g) if beneficiaries of a trust Mortgagor or partners of a partnership Mortgagor or shareholders of a corporate Mortgagor are changed without our prior written approval; or (h) anything else happens that we in good faith and with reasonable cause believe may endanger your ability to perform your obligations under this Mortgage or the ability of any guarantor of the Note to perform such guarantor's obligations under the related guaranty.

28. **ENTIRE BALANCE DUE:** If you or any guarantor default under the Note or under this Mortgage, we may require that the entire then unpaid balance of the Amount Financed plus accrued interest be paid at once without prior notice or demand, unless State Governing Law or other applicable law requires a notice before acceleration of the full balance or otherwise restricts acceleration of payments. You will send me any required notices. In the case of a judgment, interest on the unpaid balance of the judgment will be payable at the applicable judicial judgment rate or, if permitted by the law of the state where the judgment was entered, at the Annual Percentage Rate in effect under the Note.

29. **REPOSSESSION AND FORECLOSURE:** To the extent permitted by State Governing Law or other applicable law, we have the right to repossess the Boat without Court order, if you are in default under section 27 above. Alternatively, we have the right to foreclose in federal court under the Federal Mortgage Law of the United States. We will give you any notices required by State Governing Law or other applicable law. We may require you to assemble on board the Boat all equipment that is supposed to be there and return the Boat with all of its equipment to a port within the county or U.S. Coast Guard District where the Boat was to be kept. We may also disable the Boat by removing or disconnecting any equipment which is part of the Boat.

30. **REDEMPTION:** You have the following rights of redemption: If we repossess the Boat, you can get it back (redeem it) by paying (a) all past due installments, (b) any late charges, (c) any collection expenses, and (d) our cost of taking the Boat (including moving, storage and similar expenses) when you redeem it, unless State Governing Law or other applicable law permits us to demand the full net balance and we do so. Your right to redeem in such case will end when the repossessed Boat has been sold, unless State Governing Law limits your redemption period to a shorter period.

31. **SALE OR USE AND STORAGE OF REPOSSESSED BOAT:** If we repossess the Boat, we may, in your name, sell or, subject to State Governing Law, lease, charter, operate or otherwise use the Boat, as we may think advisable, being accountable for net profits, if any, and keep the Boat free of charge at your premises or elsewhere, at your expense. For this purpose and subject to any State Governing Law, we and our agents are irrevocably appointed your true and lawful attorneys-in-fact to make all necessary transfers of the Boat upon resale after repossession, in your name and stead.

32. **RESALE CREDIT:** If we resell the Boat, any costs of taking the Boat, storage, costs of sale (cleaning, repairing, auctioneer's fee, marshal's fees, if any, sales commission, if any, and advertising), cost of insurance, allowable attorney's fees and court costs will be subtracted from the price at which the Boat is sold after repossession. The difference, if any, would be your Resale Credit.

SEE PAGES 1, 2, 3, 4, 5, 7, AND 8 FOR ADDITIONAL IMPORTANT TERMS

DOTY, ROBERT

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33. **SURPLUS OR DEFICIENCY:** If you owe more than the Resale Credit, you will pay us the difference (the "deficiency"). If you owe less than the Resale Credit, you will receive the difference from us (the "surplus").

34. **NO WAIVER OF PREFERRED STATUS OR OF RIGHTS BY DELAY; REMEDIES CUMULATIVE:** No provision of this Mortgage shall be construed as a waiver of the preferred status of this Mortgage. We may delay in enforcing any of our rights without losing any of them. Our remedy rights are cumulative, unless State Governing Law provides otherwise.

35. **RECEIVER:** In any legal action we may have a receiver appointed for the Boat and its earnings. Any receiver shall have full rights and powers to use and operate the Boat and to obtain a court decree ordering and directing the sale or other disposition of the Boat.

36. **QUIET ENJOYMENT OF BY OWNER:** Unless you violate this Mortgage or the Note and we repossess the Boat, you shall be permitted to retain actual possession and use of the Boat.

37. **TIME IS OF THE ESSENCE:** Time is of the essence. This means that each payment which is required must be made on the day due. If you require additional time to make a payment, you understand that you must obtain authorization or approval for making a late payment from us in writing in advance.

38. **ADDITIONAL SECURITY:** This Mortgage is given as additional security to secure your Obligations and does not extinguish any other security given as security for your Obligations.

39. **INVALID PROVISIONS:** If any provision of this Mortgage cannot be enforced, the rest of the Mortgage will stay in effect.

40. **AMENDMENTS:** Any change in the terms of this Mortgage must be made in writing and signed by you and us.

41. **NOTICES AND INQUIRIES:** Notices to you may be delivered in person or by commercial courier or mailed by U.S. mail postage prepaid to your address in section 1 of this Mortgage. We will use certified mail return receipt requested, if required by State Governing Law. Notices to us may be mailed to us at:

**The CIT Group/ Sales Financing, Inc.
P. O. Box 24 610
Oklahoma City, OK 73124-0610**

Anyone needing to communicate with us may call 800-621-1433.


42. **ORIGINAL AND TRUE COPIES OF THIS MORTGAGE:** This Mortgage may be executed and then multiple copies made thereof as necessary, but only the Mortgage bearing the original signatures shall be deemed the Original.

YOU HAVE READ OR HAD A CHANCE TO READ AND COMPARE BOTH THIS MORTGAGE AND THE NOTE SECURED BY THIS MORTGAGE. BOTH DOCUMENTS WERE

SEE PAGES 1, 2, 3, 4, 5, 6, AND 8 FOR ADDITIONAL IMPORTANT TERMS

COMPLETELY FILLED IN, EXCEPT FOR THE U.S. COAST GUARD OFFICIAL NUMBER IN THE CASE OF A BOAT FOR WHICH SUCH A NUMBER HAS NOT YET BEEN ISSUED.

SEE PAGES 1, 2, 3, 4, 5, 6, AND 7 FOR ADDITIONAL IMPORTANT TERMS ON THE DAY and year written at the beginning of this Mortgage I have signed this Mortgage.


Robert S. Doty Individual Mortgageor

Trust Mortgageor
By _____
Name: _____

Other Owner: (Any person owning an interest in the Boat who joins in granting this Mortgage but is not obligated to make payments)

Other Owner Name: _____
Address: _____

Capacity Claimed by Signer(s): (check applicable box)

- Individual
- Corporate
- Partner(s)
- Other Owner
- Attorney-in-Fact
- Trustee

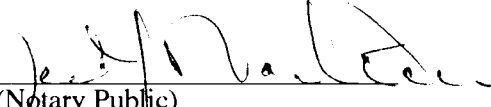
ACKNOWLEDGEMENT

(BE CERTAIN THAT THE STATE TYPED BELOW IS THE SAME STATE THAT APPEARS ON THE NOTARY PUBLIC'S STAMP. ANY MATERIAL ALTERATION IN THE LANGUAGE OF THIS MORTGAGE MUST BE REFERENCED IN THE ACKNOWLEDGMENT BELOW.)

STATE OF Pennsylvania, COUNTY OF Westmoreland ss.:

For Individual Mortgageors:

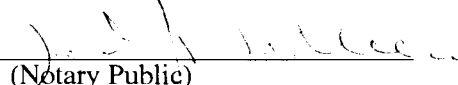
On this 2nd day of September, 1998, before me personally came and appeared Robert S. Doty to me known to be the person(s) described in and who executed the foregoing Mortgage, and (he) (she) (they) acknowledged to me that (he) (she) (they) executed and delivered the same as (his) (her) (their) free act and deed for the uses and purposes therein set forth.

My Commission expires April 8, 2002

(Notary Public)

For Trust Mortgageor:

On this 2nd day of September, 1998, before me personally came and appeared Robert S. Doty to me known, who being by me duly sworn, did depose and say that (he) (she) resides at No. _____, City of Greensburg, State of Pennsylvania; that (he) (she) is (Title) Trustee of _____ a revocable trust

(Name of Trust)
organized under the laws of the State of _____ the trust described in and which executed the foregoing Mortgage, that (he) (she) signed (his) (her) name thereto as authorized trustee or by order of the Board of Trustees; and (he) (she) acknowledged to me that (he) (she) executed said Mortgage as such Trustee of said trust; and that the same is the free and voluntary act and deed of said trust, and of (himself) (herself) as such Trustee thereof, for the uses and purposes therein expressed.

My Commission expires April 8, 2002

(Notary Public)

Notarial Seal
Roland J. Martino, Notary Public
Greensburg, Westmoreland County
My Commission Expires Apr. 8, 2002
Member, Pennsylvania Association of Notaries

Notarial Seal
Roland J. Martino, Notary Public
Greensburg, Westmoreland County
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