

**SECURITY AGREEMENT
SPECIAL PROVISIONS**

THIS SECURITY AGREEMENT, dated _____ (the "Security Agreement"), between _____, a _____ corporation (the "Shipowner") and THE UNITED STATES OF AMERICA (the "United States"), represented by the Secretary of Transportation, acting by and through the Maritime Administrator (the "Secretary"), pursuant to Title XI of the Act.

RECITALS:

A. The Shipowner is the sole owner of the Vessels (when used collectively and "Vessel" when used singularly) built pursuant to the Construction Contracts with _____ (the "Shipyard") for the [Depreciated] Actual Cost set out in Table A.

B. To aid in financing the Construction of the Vessels, the Shipowner has borrowed an aggregate principal amount equal to ___% of the Depreciated Actual Cost or Actual Cost of the Vessels, as the case may be, as of the Closing Date.

C. To accomplish such financing, the Shipowner has accepted the Secretary's Guarantee Commitment subject to the terms and conditions set forth therein.

D. The Shipowner has entered into the Loan Agreement providing for a loan in the loan amount of \$_____ to be designated "United States Government Guaranteed Ship Financing Obligation" (the "Obligation") having the maturity date and interest rate set forth in the Loan Agreement and the Obligation.

E. On this date, the Secretary has issued a Guarantee of the payment in full of all the unpaid interest to the date of payment, and all the unpaid principal, of such Obligation.

F. In consideration of the Secretary's Guarantee, the Shipowner has executed the Secretary's Note in the amount of the Obligation on the date hereof.

G. As collateral security for the Guarantee and the Secretary's Note, on this date, the Shipowner has executed and delivered the Security Agreement, Contract MA-_____ and the Mortgage, Contract MA-_____ granting the Secretary a security interest in, among other things, the Construction Contracts, the Vessels and certain other property, tangible and intangible, which the Shipowner now has or hereafter will acquire, and all of the proceeds thereof.

H. In connection with the execution and delivery of the Security Agreement, the Shipyard

has executed on this date, the Consent of Shipyard agreeing to the assignment of the Construction Contracts to the Secretary.

I. As further security to the Secretary, the Shipowner has executed on this date the Title XI Reserve Fund and Financial Agreement, Contract MA-_____.

J. In order to implement certain aspects of the transactions contemplated by the Security Agreement and the Financial Agreement, the Secretary, the Shipowner and _____ (the "Depository") have entered into the Depository Agreement, Contract MA-____ on the date hereof.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and of other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and in order to provide security to the Secretary for the Secretary's Note provided for herein, the parties hereto hereby agree as follows:

1. Concerning these Special and General Provisions. This Security Agreement shall consist of two parts: the Special Provisions and the General Provisions attached hereto as Exhibit 1 of the Security Agreement and incorporated herein by reference. In the event of any conflict, or inconsistency between the Special Provisions of this Security Agreement and Exhibit 1, said Special Provisions shall control.

2. The following additions, deletions and amendments are hereby made to the Security Agreement:

(a) Concerning Section 2.05

(1) In connection with Section 2.05(b)(3) and the last paragraph of Section 2.05 (e) the maximum amount of self-insurance permitted to the Shipowner under the last paragraph thereof shall be \$_____ on an annual aggregate basis after application of the \$_____ per accident deductible; and

(2) In connection with clause (ii) of the initial paragraph of Section 2.05(c), the Secretary shall permit payment of losses up to the amount of \$_____ to be made directly to the Shipowner under the circumstances specified therein.

(b) Concerning Section 9.01. Subject to Section 9.01 of the Security Agreement, any notice, request, demand, direction, consent, waiver, approval or other communication, when given to a party hereto, shall be addressed to:

Secretary as: SECRETARY OF TRANSPORTATION
c/o Maritime Administrator
U.S. Department of Transportation

400 Seventh Street, S.W.

Washington, D.C. 20590

Shipowner as: _____

(c) Governing Law. This Security Agreement and the rights and obligations of the parties hereto shall be governed by and construed in accordance with U.S. maritime laws, to the extent applicable, and otherwise in accordance with the laws of the State of _____.

IN WITNESS WHEREOF, this Security Agreement has been executed by the parties as of the day and year first written.

SHIPOWNER

(SEAL)
Attest:

BY: _____

UNITED STATES OF AMERICA
SECRETARY OF TRANSPORTATION
MARITIME ADMINISTRATOR

(SEAL)
Attest:

BY: _____

Assistant Secretary
Maritime Administration

EXHIBITS TO THE SECURITY AGREEMENT

- Exhibit 1--General Provisions Incorporated into the Security Agreement by Reference
- Table A of (Depreciated) Actual Cost
- Schedule X - Schedule of Definitions
- Exhibit 2 -- Form of Secretary's Note
- Exhibit 3 -- Form of First Preferred Fleet Mortgage
- Exhibit 4 -- Form of Financial Agreement
- Exhibit 5 -- Form of Consent of Shipyard
- Exhibit 6 -- Form of Construction Contracts
- Exhibit 7 -- Form of Depository Agreement

TABLE A

The aggregate Actual Cost of the Vessels as of the date hereof as determined by the Secretary, namely, (i) the amounts paid by or for the account of the Shipowner as of the date hereof for the Construction of the Vessels, plus (ii) the amount which the Shipowner was on said date obligated under the Construction Contract or otherwise to pay from time to time thereafter for the Construction of the Vessels less the Depreciation of the Vessels as of the date hereof as determined by the Secretary is \$_____, both calculated and itemized for each Vessel as follows:

	<u>Amount Paid</u>	<u>Amount Obligated To be Paid</u>	<u>Total</u>
Contract Price			
Changes and Extras			
Owner Furnished Items			
Engineering & Inspection			
Net Interest During Construction			
Estimated Escalation			
Estimated Guarantee Fee			
Total Actual Cost			
Depreciation from Vessel Delivery date to _____:			
Total Depreciated Actual Cost			