

**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 has entered into the Construction Contract with _____, the Shipyard for the Construction of the vessels (when used collectively, the "Vessels"; when used singularly, the "Vessel").

B. On the date hereof, the Secretary entered into, and the Shipowner accepted a Commitment to Guarantee Obligations, Contract No. MA-_____, whereby the United States has committed itself to guarantee the payment in full of all the unpaid interest on, and the unpaid principal balance of, Obligations (as defined herein) in the aggregate principal amount equal to ___% of the Depreciated Actual Cost or the Actual Cost of the Vessels, as the case may be, on the Closing Date, which amounts are set out in Table A.

C. The Shipowner has entered into the Bond Purchase Agreement providing for the sale and delivery, on the Closing Date, of obligations in the aggregate principal amount of \$_____ to be designated "United States Government Guaranteed Ship Financing Obligations, _____ Series" (the "Obligations") having the maturity date and interest rate set forth in the Bond Purchase Agreement, the Indenture and the Obligations.

D. On the date hereof, the Shipowner and _____, a _____ as Indenture Trustee, executed and delivered the Trust Indenture (the "Indenture") pursuant to which the Shipowner will issue the Obligations.

E. On the date hereof, the Secretary and the Indenture Trustee executed the Authorization Agreement, Contract No. MA-_____, which authorizes the Indenture Trustee to endorse, execute, and authenticate the Secretary's Guarantee on each of the Obligations.

F. As security for the due and timely payment of the Secretary's Note, issued this day by the Shipowner, and for the Secretary's issuance of the Guarantees, the Shipowner has executed and delivered the Security Agreement, Contract No. MA-_____, the Mortgage, Contract No. MA-_____, and the Financial Agreement, Contract No. MA-_____, granting the Secretary a security interest in, among other things, the Construction Contract, the Vessels and certain other property, tangible and intangible, which the

Shipowner now has or hereafter will acquire, and all of the proceeds thereof.

G. As further security to the Secretary and in consideration of the Secretary's agreeing to issue the Guarantees, the Shipyard has granted the Secretary a security interest in the Vessel, its hull, component parts, machinery, and equipment during the construction period and has executed on this date the Consent of Shipyard to the assignment of the Construction Contract to the Secretary.

H. In order to implement certain aspects of the transactions contemplated by the Security Agreement and the Financial Agreement, the Secretary, the Shipowner and _____, a _____ (the "Depository") have entered into the Depository Agreement, Contract No. 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, the 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 Sections 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: _____

Indenture Trustee 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.

(SEAL)

SHIPOWNER

Attest:

BY: _____

(SEAL)

UNITED STATES OF AMERICA
SECRETARY OF TRANSPORTATION
MARITIME ADMINISTRATOR

Attest:

BY: _____

Assistant Secretary
Maritime Administration

EXHIBITS TO THE SECURITY AGREEMENT

Exhibit 1--General Provisions Incorporated into the Security Agreement by Reference

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 Contract

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			