

SECURITY AGREEMENT

SPECIAL PROVISIONS

THIS SECURITY AGREEMENT, dated _____ (the "Security Agreement"), is among _____, a _____ corporation ("Company"), 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 the provisions of Title XI of the Merchant Marine Act, 1936, as amended ("Title XI").

RECITALS

A. The Company is the owner of certain real estate and equipment constituting the property known as _____, (the "Shipyard"). The real estate consists of _____.

B. The Company will be responsible for causing the construction and installation of certain improvements and renovations (including new equipment) of the Shipyard (the "MAST Items"), pursuant to certain Construction Contracts with _____ and with other design, equipment, and material contractors (the "Contractors"). The Company will be the owner of the MAST Items.

C. On the date hereof, the Secretary entered into, and the Company 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, the Obligations (as defined herein) in the aggregate principal amount equal to ___% of the Depreciated Actual Cost or the Actual Cost of the MAST Items, as the case may be, on the Closing Date, which amounts are set out in Table A.

D. The Company 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 Shipyard Modernization Obligations, _____ Series" (the "Obligations") having the maturity date and interest rate set forth in the Bond Purchase Agreement, the Indenture and the Obligations.

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

F. 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.

G. As security for the due and timely payment of the Secretary's Note, issued this day by the Company, and for the Secretary's issuance of the Guarantees, the Company 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 first priority security interest in, among other things, (w) all fixtures, tangible personal and real property (including, without limitation, all land, docks, piers, basins, cranes, structures, machinery, equipment and tools) owned by Company and either currently on or in the Shipyard or subsequently acquired by Company and installed or placed thereon (including but not limited to the MAST Items), (x) any future leases of the Shipyard or any portion of the Shipyard or its fixture, personal or real property, (y) certain general intangibles and contracts (including all Construction Contracts), and depository accounts held under the Depository Agreement, and (z) all of the proceeds of the foregoing.

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

I. In order to implement certain aspects of the transactions contemplated by the Security Agreement and the Financial Agreement, the Secretary, the Contractor 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 Section 2.05(a)(2) of the Security Agreement, the minimum amount of comprehensive public liability coverage for injury or death in one accident or occurrence shall be not less than \$_____, and not less than \$_____ for property damage in any one accident or occurrence.

(2) In connection with the last paragraph of Section 2.05(a) of the Security Agreement, the maximum amount of self-insurance permitted to the Company shall be (i) \$___ for property damage suffered by the Company (provided, that the maximum amount of self-insurance permitted to the Company for property damage suffered by the Company as a result of wind or storm shall be \$_____) and \$_____ for liability incurred by the Company resulting from any one accident or occurrence or (ii) as to each of the foregoing, such other greater amount as may be agreed to by the Secretary.

(3) In connection with Section 2.05(b)(1) of the Security Agreement, the Secretary shall permit payment of losses up to the amount of \$_____ to be made directly to the Company 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

Company 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 the maritime laws of the United States and with the laws of the _____.

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

(SEAL)

COMPANY

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 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

TABLE A

The aggregate Actual Cost of the MAST Items as of the date hereof as determined by the Secretary is \$_____. The itemization of said Actual Cost is as follows:

Actual Cost

Demolition
Facilities Modernization
New and reconditioned capital equipment
Engineering changes
Construction period interest
Guarantee Fee
Company Capital Contribution

TOTAL \$

The list of MAST Items covered by this Security Agreement include the following: