

PROMISSORY NOTE TO UNITED STATES OF AMERICA

_____ (the "Company"), for value received, promises to pay **THE UNITED STATES OF AMERICA** (the "United States"), represented by the Secretary of Transportation, acting by and through the Maritime Administrator (the "Secretary"), at the office of the Maritime Administration, U.S. Department of Transportation, Washington, D.C., in lawful money of the United States of America, the aggregate principal amount of _____ on or before _____, together with interest thereon from the date hereof at the rate of ___% per annum (calculated on the basis of a 360-day year of twelve 30-day months) to be paid semi-annually on _____ and _____ of each year commencing on _____ until such principal sum has been paid. This Secretary's Note ("Secretary's Note") is subject to mandatory prepayment on the same terms and conditions as the Obligations.

This Secretary's Note is given (1) in consideration of the Secretary's issuance, pursuant to the provisions of Title XI of the Merchant Marine Act, 1936, as amended, of Guarantees of payment of the unpaid interest on and the unpaid balance of the principal amount of the Company's United States Government Guaranteed Shipyard Modernization Obligations (the "Obligations") issued by the Company on the date hereof in order to finance a portion of the cost of Construction of the MAST Items, and (3) to evidence the Company's obligation to pay the Secretary any amount that the Secretary may be required to pay to the Holders of the Obligations under said Guarantees.

This Secretary's Note is issued pursuant to the provisions of the Security Agreement, Contract No. MA-_____, dated _____, between the Company and the Secretary. The Security Agreement contemplates that on the date hereof, a mortgage on the Shipyard will be executed and delivered by the Company, as mortgagor, to the Secretary, as mortgagee, covering the Company's interest in the Shipyard (said mortgage, as the same may be amended or supplemented, being herein called the "Mortgage"). The definitions used in, and the provisions of, the Security Agreement and the Mortgage are incorporated herein by reference.

This Secretary's Note has been negotiated and received by the Secretary, is secured by the Security Agreement and the Mortgage, and is subject to all the terms of the Security Agreement and the Mortgage, to the same extent as if said documents were set out herein in full.

To the extent that any of the Obligations are Outstanding and until the Guarantees on each of the Obligations have been terminated pursuant to the provisions of Section 3.02(a), (b) or (d) of the Security Agreement, the principal of and the interest on this Secretary's Note shall remain outstanding and unpaid. Payments on the Outstanding Obligations shall be deemed a payment of principal and interest on this Secretary's Note when paid in the following manner:

- (1) by payment of interest on such Obligations in accordance with the provisions thereof and of the Indenture;

(2) by any redemption of such Obligations in accordance with the provisions thereof and of the Indenture;

(3) when such Obligations have been Retired or Paid, other than by payment of the Guarantees;

If such payment is made with moneys advanced or loaned to the Company by the Secretary, such payment on the Obligations shall not, as to such amount, constitute payment of principal or interest on this Secretary's Note and the same shall not in any way be discharged as to such amount. In the event that the Secretary assumes the Company's rights and duties under the Indenture and the Obligations and makes any payments, such payments shall not, as to such amounts, constitute payment of principal and interest on this Secretary's Note and the same shall not in any way discharge such amounts until such time as this Secretary's Note is paid in full or otherwise discharged in an appropriate proceeding in a court of competent jurisdiction as established by the final order of a court of last resort or the final order of an inferior court which is not appealed.

The unpaid balance of the principal of this Secretary's Note and the interest hereon may be declared or may become immediately due and payable by declaration of the Secretary at any time after the Secretary (i) is required to pay the Guarantees pursuant to the terms of the Indenture and the Authorization Agreement or (ii) assumes, pursuant to the terms of the Indenture, the Company's rights and duties under the Indenture and the Obligations. Thereupon, the unpaid balance of the principal of and the interest on this Secretary's Note shall become due and payable, together with interest thereon at the Obligation rate plus one percent.

IN WITNESS THEREOF, the Company has caused this Secretary's Note to be signed on this ____ day of _____.

as Company

(SEAL)

BY: _____

Attest:

BY: _____
Assistant Secretary