**ANNEX B**

**DEFINITIONS**

1. **Definitions.** Except as otherwise specified herein or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Agreement.

“*Accountant*” means an independent certified public accountant or independent licensed public accountant, certified or licensed by a regulatory authority of a state or other political subdivision of the United States, or a firm of independent certified public accountants or independent licensed public accountants, certified or licensed by a regulatory authority of a state or other political subdivision of the United States.

 “*Actual Cost*” means the actual cost of a Vessel, as set forth on Table A of Annex A of this Agreement or as subsequently re-determined by the Administrator pursuant to this Agreement and Chapter 537.

“*Actual Cost Paid*” means the amount paid by the Shipowner for the Vessels as set forth in column [2J] on Table A of Annex A of this Agreement.

 “*Additional Collateral*” means a letter of credit in form and substance satisfactory to the Administrator from a United States bank acceptable to the Administrator in an amount not less than the difference between the forced liquidation value of the Vessels as reflected in the Appraisal and the Outstanding Note.

“*Administrator*” means the Maritime Administrator of the Maritime Administration of the United States Department of Transportation, or any official of the Maritime Administration to whom is delegated the authority, from time to time, to perform the duties of the Maritime Administrator pursuant to the provisions of Chapter 537.

*"Administrator’s Guarantee”* has the same meaning as the term *“Guarantee.”*

“*Administrator’s Note*” means the promissory note issued and delivered by the Shipowner to the Administrator, as originally executed, substantially in the form attached to this Agreement as Annex E, and as the same may be amended, modified, supplemented or endorsed, including any promissory note issued in substitution thereof.

“*Administrator’s Notice*” means the notice given, at any time and from time to time, to the Holder from the Administrator with respect to a Security Default.

 “*Advance*” means an advance of funds made by FFB to the Shipowner under a particular Note.

“*Advance Request*” means a request from the Shipowner for an Advance under a particular Note.

“*Affiliate*” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“*Affiliate Guarantor*” means each, and “*Affiliate Guarantors*” means every, affiliated entity of the Shipowner set forth on Annex A of this Agreement opposite such term that have executed the Affiliate Guaranty.

“*Affiliate Guaranty*” means the guaranty agreement executed by each Affiliate Guarantor in favor of the United States for the purpose of guaranteeing the Shipowner’s obligations to the Administrator under this Agreement and the Administrator's Note, substantially in the form attached to this Agreement as Annex K, as originally executed or as modified, amended or supplemented.

“*Aggregate Original Equity Investment*” has the meaning set forth on Annex A of this Agreement opposite such term for each Vessel.

 *“Agreement”* means the Consolidated Agreement made as of the Closing Date between the United States represented by the Administrator and the Shipowner.

“*Amount of Administrator’s Guarantee*” has the meaning set forth on Annex A of this Agreement opposite such term.

“*Amount of Administrator’s Note*” has the meaning set forth on Annex A of this Agreement opposite such term.

“*Annual Financial Statement Certification*” means an Officer’s Certificate of the Shipowner and the Affiliate Guarantor (a) certifying the calculations of the Supplemental Financial Covenants of Shipowner and Supplemental Financial Covenants of Affiliate Guarantor pursuant to Section 13.04 of Annex C of this Agreement and (b) confirming that no Defaults exist pursuant to Section 13.08(a) of Annex C of this Agreement, in the form attached to this Agreement as Annex M-1.

“*Annual Vessel Condition, Maintenance and Class Certification*” means an Officer’s Certificate of the Shipowner and the Affiliate Guarantor setting forth, among other things, (a) a statement of the condition and maintenance of each Vessel pursuant to Section 13.09 of Annex C of this Agreement, (b) a confirmation of class issued by the Classification Society showing that the classification and rating for each Vessel on the Delivery Date of each Vessel has been retained for each in class Vessel and (c) copies of all Classification Society reports, including periodic and damage surveys for each Vessel pursuant to Section 13.12 of Annex C of this Agreement, in the form attached to this Agreement as Annex L.

“*Applicable Guarantee Percentage*” means the Amount of Administrator’s Guarantee expressed as a percentage of the Actual Cost or Depreciated Actual Cost of the Vessels, as the case may be, as set forth on Annex A of this Agreement opposite such term.

*“Application Date*” has the meaning set forth on Annex A of this Agreement opposite such term.

 “*Appraisal*” mean an appraisal of the Vessels commissioned by the Shipowner or the Administrator at the expense of the Shipowner conducted by an appraiser approved by the Administrator, who has followed an appraisal methodology approved by the Administrator, and which appraisal shall not have occurred more than twelve (12) months before the date that the appraisal is delivered to the Administrator.

“*Approved Interest Rate*” means the interest rate per annum set forth on Annex A of this Agreement opposite such term which is established for each Advance made under a particular Note.

*“Assignment of Construction Contract”* means the assignment from the Shipowner to the Administrator of all the rights, title and interest of the Shipowner under the Construction Contract, substantially in the form attached to this Agreement as Annex G, as the same may be amended, supplemented, restated or otherwise modified from time to time with the consent of the Administrator.

“*Assignment of Earnings*” means the assignment from the Shipowner to the Administrator of all of the rights, title and interest of the Shipowner in whatever is received upon the lease, sale, charter, transfer or disposition of any Vessel, claims for damages for any breach by any charterer or other party thereto of any bareboat or time charter, or lease of any Vessel; and all remuneration payable by or on behalf of a governmental authority in respect of any detention of any Vessel, and all insurance proceeds payable to the Shipowner for any loss of or damage to all or any part of any Vessel, substantially in the form attached to this Agreement as Annex I, as the same may be amended, supplemented, restated or otherwise modified from time to time with the consent of the Administrator.

“*Assignment of Insurances*” means the assignment from the Shipowner to the Administrator of all of the rights, title and interest of the Shipowner in all policies and contracts of insurance, substantially in the form attached to this Agreement as Annex J, as the same may be amended, supplemented, restated or otherwise modified from time to time with the consent of the Administrator.

“*Audited Financial Statements*” mean, with respect to any Person, the annual audited balance sheet and the related statement of income or operations, shareholders’ equity and cash flows for such fiscal year of such Person, including the notes thereto, prepared in accordance with GAAP by an Accountant who may be such Person’s Accountant.

“*Authorized Newspaper*” means The Wall Street Journal or any such other newspaper as the Administrator may designate by notice to the Shipowner.

*“Bankruptcy Code”* means Title 11 of the United States Code.

“*Business Day*” means a day on which both FFB and the Federal Reserve Bank of New York are open for business.

“*Capital Construction Fund”* means the capital construction fund established by the Shipowner, if any, under Chapter 535 of Title 46 of the United States Code, as amended.

“*CCF Security Amount*” has the meaning set forth in Section 6.10 of Annex C of this Agreement.

“*Chapter 313*” means the provisions of Chapter 313 of Title 46 of the United States Code, as amended.

“*Chapter 537*” means the provisions of Title XI of the Merchant Marine Act of 1936, now codified at Chapter 537 of Title 46 of the United States Code, as amended.

“*Chapter 537 Reserve Fund*” means the account established pursuant to Section 6.01 of Annex C of this Agreement and held in the name of and for the benefit of the Administrator at Treasury pursuant to Sections 53712 and 53716 of Chapter 537 to be administered pursuant to Article VI of Annex C of this Agreement and to be utilized by the Administrator as Collateral pursuant to Article IV of Annex C of this Agreement.

“*Charter Hire and Rent Limitation*” means the amount set forth on Annex A of this Agreement opposite such term.

“*Classification Society*” means the American Bureau of Shipping or either a member of the International Association of Classification Societies (“*IACS*”) that has been ISO 9000 series registered or an IACS member that meets the requirements of the International Maritime Organization, is qualified under a Quality Systems Certificate Scheme and recognized by the United States Coast Guard and the Administrator as meeting acceptable standards.

“*Closing Date*” means the date when this Agreement is executed and delivered by the Shipowner and the Administrator as set forth on the first page of this Agreement.

“*Collateral*” has the meaning set forth in Section 4.01(b) of Annex C of this Agreement.

“*Commitment to Guarantee*” means the commitment to guarantee the Note, as set forth in Article II of Annex C of this Agreement, executed by the Administrator and accepted by the Shipowner relating to the Guarantee, as originally executed or as modified, amended or supplemented.

“*Computation of Reserve Fund Net Income, Total Deposits or No Deposits and Accountant’s Statement*” means the computation and statement substantially in the form attached to this Agreement as Annex N.

“*Consent and Agreement of Shipowner and Shipyard*” means, in the case of Construction Period Financing, each consent of the Shipyard to the Assignment of Construction Contract to the Administrator under this Agreement and the Shipowner’s and such Shipyard’s modification and amendment of the Construction Contract in favor of the Administrator substantially in the form attached to this Agreement as Annex H-2, as originally executed, modified, amended or supplemented.

“*Consent of Shipyard*” means each, and “*Consents of Shipyards*” means, in the case of Mortgage Period Financing, the consent to the Assignment of Construction Contract to the Administrator under this Agreement substantially in the form attached to this Agreement as Annex H-1, as originally executed, modified, amended or supplemented.

“*Construction*” means construction of the Vessels, including designing, inspecting, outfitting and equipping thereof.

“*Construction Contract*” means each, and “*Construction Contracts*” means every, contract relating to the Construction of the Vessels between the Shipowner and the Shipyard set forth on Annex A of this Agreement opposite such term, as originally executed or as modified or supplemented pursuant to the applicable provisions thereof and as further amended to be in form satisfactory to the Administrator, including, without limitation, as modified and amended by the Consent of the Shipyard.

*“Construction Period Financin*g” means the financing provided by the issuance of the Note for the purpose of funding Construction of the Vessels as indicated on Annex A of this Agreement opposite the term “Financing” if applicable.

“*Control*” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “*Controlling*” and “*Controlled*” have meanings correlative thereto.

“*Default*” has the meaning set forth in Section 14.01 of Annex C of this Agreement.

*“Delivery Date”* means the date on which a Vessel is delivered to and accepted by the Shipowner.

*“Deposit Funds”* means the Chapter 537 Reserve Fund, the Late Charges Reserve Subfund, the Interest Escrow Fund and the No-Call Prepayment Fund and *“Deposit Fund”* means any one of such funds.

“*Depreciated Actual Cost*” means the depreciated Actual Cost of a Vessel set forth on Annex A of this Agreement opposite such term or as subsequently re-determined by the Administrator pursuant to this Agreement and Chapter 537.

“*Direct Employee Compensation*” means the total amount of any wage, salary, bonus, commission, or other form of direct payment to any employee of the Shipowner, the Affiliate Guarantor and any of their Affiliates with guarantees under Chapter 537 as reported to the Internal Revenue Service for any fiscal year.

“Disclosure Schedule*”* means that certain schedule as set forth as Annex D to this Agreement delivered to the Administrator on or prior to the Closing Date, setting forth, among other things, (a) items the disclosure of which is necessary or appropriate in response to an express disclosure requirement contained in a provision hereof or to make any representation and warranty contained in this Agreement true and correct or (b) any Commercial Tort Claims of the Shipowner.

“*Eligible Investments*” means any direct obligations of the United States or any agency of the United States.

 “*Equity Interest*” means, with respect to any Person, all of the shares of capital stock of (or other ownership or profit interests in) such Person, all of the warrants, options or other rights for the purchase or acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, all of the securities (other than convertible debt securities prior to any conversion thereof) convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or acquisition from such Person of such shares (or such other interests), and all of the other ownership or profit interests in such Person (including partnership, member or trust interests).

“*Equity Interest Holder*” means each person with an Equity Interest in the Shipowner.

“*Equity Interest* *Subordination Agreement*” means the subordination agreement between the Shipowner and a Subordinating Equity Interest Holder which subordinates the interest of such Equity Interest Holder in favor of the Administrator substantially in the form attached to this Agreement as Annex P, as originally executed, modified, amended or supplemented.

“*Expended Funds Rate*” means a rate of interest equal to the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the calendar week immediately preceding the date funds were expended by the Administrator.

*“FFB”* means the Federal Financing Bank, a body corporate and instrumentality of the United States.

*“FFB Act”* means the Federal Financing Bank Act of 1973 (Pub. L. No. 93-224, 87 Stat. 937, 12 U.S.C. § 2281 et seq.), as amended.

“*Financial Assets*” has the meaning given by Article 8-102(a)(9) of the UCC.

 “*Financing*” means Construction Period Financing or Mortgage Period Financing, as applicable, as set forth on Annex A of this Agreement opposite such term.

*“First Principal Payment Date”* means the date set forth on Annex A of this Agreement opposite such term.

“*Foreign Item Waivers*” means all waivers granted by the Administrator to permit the inclusion of any item of foreign components and/or services incorporated or to be incorporated into any Vessel into the Actual Cost of such Vessel pursuant to 46 C.F.R. § 298.13, which waivers, if any, are set forth on Annex A of this Agreement opposite such term.

“*GAAP*” means those generally accepted accounting principles, standards and procedures and practices in effect in the United States that are recognized as such by the American Institute of Certified Public Accountants or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof, and that are consistently applied for all periods, after the date hereof, so as to properly reflect the financial position of a Person, except that any accounting principle or practice required to be changed by the Financial Accounting Standards Board (or other appropriate board or committee of the said Board) in order to continue as a generally accepted accounting principle, standards and procedures may be so changed.

 “*Governing Law State*” means law of the state as set forth on Annex A of this Agreement opposite such term governing the Agreement absent applicable federal law, including federal common law.

“*Government*” means the United States of America or any of its governmental bodies, departments and agencies.

“*Government Use*” means the use of a Vessel or requisition of its title required by a government or the Government.

“*Guarantee*” or the *“Administrator’s Guarantee”* means the guarantee by the United States, acting through the Administrator pursuant to Chapter 537, of the Note as provided for in this Agreement and the Note Purchase Documents.

 “*Guarantee Fee*” means the guarantee fee payable by the Shipowner under 46 U.S.C. § 53714(b) as set forth on Annex A of this Agreement opposite such term.

*“Holder”* means FFB, for so long as it shall be the holder of the Note, and any successor or assignee of FFB, for so long as such successor or assignee shall be the holder of the Note.

“*Income Realized on the Chapter 537 Reserve Fund*” means (a) the excess of the cash received from the sale of securities in the Chapter 537 Reserve Fund over their cost (less any losses from sales not already paid pursuant to Section 7.05 of Annex C of this Agreement), (b) cash received from the payment of principal and interest on securities and (c) interest paid by Treasury on cash balances maintained in the form of uninvested funds.

 “*Insurance Requirements*” means amount of insurance per occurrence and in the aggregate set forth on Annex A of this Agreement opposite such term.

*“Intended Payment Date”* means the particular date on which the Shipowner intends to prepay the Note based upon Sections 3.02, 8.04, 11.12 or 15.01 of Annex C of this Agreement, as the case may be, which *must* be a Business Day;

*“Interest Escrow Fund”* means the account established pursuant to Section 5.01 of Annex C of this Agreement and held in the name of and for the benefit of the Administrator at Treasury pursuant to Sections 53712 and 53715 of Chapter 537 to be administered pursuant to Article V of Annex C of this Agreement and to be utilized by the Administrator to pay interest on the Note and as Collateral pursuant to Article IV of Annex C of this Agreement.

*“Interest Escrow Fund Deposit”* means the deposit required to be made by the Shipowner to pay interest in the amount set forth on Annex A of this Agreement opposite such term.

 “*Investigation Fee*” means the fee payable by the Shipowner under Section 53713(a) of Chapter 537 as set forth on Annex A of this Agreement.

“*IP Rights*” means, with respect to the Shipowner or the Affiliate Guarantor, the right to use, all of the trademarks, service marks, trade names, copyrights, patents, patent rights, franchises, licenses and other intellectual property rights that are reasonably necessary for the operation of its business.

 “*Jurisdiction of Organization*” means, with respect to the Shipowner, the state of organization set forth on the first page of this Agreement and, with respect to the Affiliate Guarantor(s), means the state of organization set forth on Annex A of this Agreement opposite the term Affiliate Guarantor.

“*Jurisdiction State/City*” means the state and city set forth on Annex A of this Agreement opposite such term.

“*Late Charges*” means the interest, default interest or late payment premiums or penalties by the Shipowner at any time and from time to time accrued and owing under the Note and the Note Purchase Documents.

*“Late Charges Reserve Subfund”* means the account established pursuant to Section 6.09 of Annex C of this Agreement and held in the name of and for the benefit of the Administrator at Treasury pursuant to Section 53716 of Chapter 537 to be administered pursuant to Section 6.09 of Annex C of this Agreement and to be utilized by the Administrator to pay Late Charges and as Collateral pursuant to Article IV of Annex C of this Agreement.

*“Late Charges Reserve Subfund Deposit”* means the deposit required to be made by the Shipowner to pay Late Charges in the amount set forth on Annex A of this Agreement opposite such term.

 “*Letter* *Commitment*” means the letter from the Administrator to the Shipowner, setting forth specific determinations made by the Administrator with respect to the proposed project of the Shipowner, as required by the Chapter 537 and regulations promulgated thereunder, and stating the commitment of the Administrator to execute the Guarantee, subject to compliance by the Shipowner with any conditions specified therein.

 “*Letter Commitment Date*” means the date of the Letter Commitment set forth opposite such term on Annex A of this Agreement.

 “*Lien*” means each, and “*Liens*” means every, mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, rights in rem, lien (statutory or other), claim, charge, right of set-off or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, and any financing lease having substantially the same economic effect as any of the foregoing).

“*Liquidity”* means, with respect to a Person, at any time, the aggregate amount of unrestricted cash (including certificates of deposit and time deposits) and cash equivalents (consisting of short-term, highly liquid investments with a maturity of three (3) months or less at the time of purchase) on hand (and, in each, cash free and clear of all Liens, other than Liens in favor of the Administrator), and, in the case of cash equivalents, available for use within a reasonable period of time.

*“Loan Commitment Amount”* means the particular amount specified in Schedule I to the Note Purchase Agreement as being the “*Loan Commitment Amount*.”

“*Long-Term Debt*” means, with respect to the Shipowner and the Affiliate Guarantor, as of any date, the total notes, bonds, debentures, equipment obligations and other evidence of indebtedness that would be included in long term debt in accordance with GAAP. There shall also be included any guarantee or other liability for the debt of any other Person, not otherwise included on the balance sheet.

“*Loss Event*” means any (a) actual, constructive, agreed or compromised total loss of a Vessel, (b) requisition of title to, or seizure or forfeiture of a Vessel or (c) termination of the Construction Contract.

*“Mandatory Compliance Prepayment”* means the mandatory prepayment of the Advances required to be made pursuant to Section 8.04 of Annex C of this Agreement.

*“Mandatory Compliance Prepayment Amount”* means the amount by which the principal amount of all Outstanding Advances exceed the amount eligible for guarantee by the United States under Section 53709(b)(2) of Chapter 537, including interest, premiums and Late Charges, if any.

*“Mandatory Loss Prepayment”* means the mandatory prepayment of the Advances required as a result of a Loss Event pursuant to Section 11.12 of Annex C of this Agreement.

*“Mandatory Loss Prepayment Amount”* means an amount equal tothe Proportionate Part of the Outstanding Advances affected by a Loss Event, including interest, premiums and Late Charges, if any.

*“Mandatory Prepayment”* means any Mandatory Compliance Payment, Mandatory Progress Prepayment, Mandatory Loss Prepayment or Mandatory Vessel Sale Prepayment.

*“Mandatory Prepayment Amount”* means any Mandatory Compliance Prepayment Amount, Mandatory Progress Prepayment Amount, Mandatory Loss Prepayment Amount and Mandatory Vessel Sale Prepayment Amount.

*“Mandatory Prepayment Election”* means the mandatory election of the Shipowner required to be made pursuant to Sections 3.02, 8.04, 11.12 or 15.01 of Annex C of this Agreement to prepay all or any portion of the Outstanding Advances, in the manner, at the price, and subject to the limitations specified in paragraph 14 of the Note.

*“Mandatory* *Prepayment Election Notice*” means the written notification, in the form specified in Paragraph 14(b) of the Note, delivered to FFB (and if FFB is not the Holder, then also to the Holder) and the Administrator of the payment of each mandatory prepayment made pursuant to Sections 3.02, 8.04, 11.12, 15.01 or 17.02 of Annex C of this Agreement, which notice may not be rescinded.

 *“Mandatory Progress Prepayment”* means the mandatory prepayment of the Advances required to be made pursuant to Section 3.02 of Annex C of this Agreement.

 *“Mandatory Progress Prepayment Amount”* means the amount set forth on Annex A of this Agreement opposite such term, including interest, premiums and Late Charges, if any.

 *“Mandatory Progress Prepayment Threshold”* means the amount set forth on Annex A of this Agreement opposite such term.

*“Mandatory Vessel Sale Prepayment”* means the mandatory prepayment of the Advances required to be made pursuant to Section 15.01 of Annex C of this Agreement.

*“Mandatory Vessel Sale Prepayment Amount”* means an amount equal to the Proportionate Part of the Outstanding Advances relating to the Vessel or Vessels to be sold, including interest, premiums and Late Charges, if any.

 *“Market Value Prepayment/Refinancing Privilege”* has the meaning specified in Section 12.2 of the Note Purchase Agreement.

“*Material Adverse Effect*” means (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), or condition (financial or otherwise) of the Shipowner or the Affiliate Guarantor, individually and taken as a whole; (b) a material impairment of the rights and remedies of the Administrator under any Transaction Document, or of the ability of either (1) the Shipowner, (2) the Affiliate Guarantor or (3) the Shipowner and the Affiliate Guarantor taken as a whole, to perform its or their, as applicable, obligations under any Transaction Document to which it is or they are, as applicable, a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against either (1) the Shipowner, (2) the Affiliate Guarantor or (3) the Shipowner and the Affiliate Guarantor taken as a whole, of any Transaction Document to which any of them is a party.

 “*Maximum Payment Amount of Losses Directly to Shipowner*” means the amount as set forth on Annex A of this Agreement opposite such term.

“*Maximum Principal Amount*” shall have the same meaning as the term *Loan Commitment Amount*.

“*Maximum Self-Insurance Amount*” means the amount as set forth on Annex A of this Agreement opposite such term.

“*Minimum Liquidity”* means, with respect to the Affiliate Guarantor, as of any date, the minimum liquidity amount set forth on Annex A of this Agreement opposite the term “*Qualifying Financial Covenants of Affiliate Guarantor*.”

“*Moneys Due to Shipowner with Respect to Construction of the Vessels*” means all of the Shipowner's right, title and interest in and to receive all moneys, cash, bonds, claims, and securities which from time to time may become due to the Shipowner with respect to the Construction of any Vessel regardless of the legal theory by which moneys are recovered.

“*Mortgage*” means the first preferred fleet mortgage on the Vessels (or first preferred ship mortgage on the Vessel, as the case may be) by the Shipowner to the Administrator substantially in the form attached to this Agreement as Exhibit F, as originally executed, modified, amended or supplemented.

*“Mortgage Period Financin*g” means the financing provided by the issuance of the Note for the purpose of providing permanent financing of the Vessels as indicated on Annex A of this Agreement opposite the term “*Financing*” if applicable.

 “*Net Book Value*” means the original book value of an asset less depreciation calculated on a straight line basis over its useful life.

“*Net Worth*” means, with respect to the Shipowner and the Affiliate Guarantor, individually and consolidated, as of any date, the total of paid-in capital stock, paid-in surplus, earned surplus and appropriated surplus, and all other amounts that would be included in net worth in accordance with generally accepted accounting principles, but exclusive of (a) any receivables from any Equity Interest Holder of the Shipowner or the Affiliate Guarantor, or any director, officer, employee or Related Person of the Shipowner or the Affiliate Guarantor (other than current receivables arising out of the ordinary course of business and not outstanding for more than sixty (60) days) and (b) any increment resulting from the reappraisal of assets.

*“No-Call Advance”* means any Outstanding Advance made under the Note Purchase Documents that may not be prepaid during an applicable No-Call Period.

“*No-Call Payment Date*” means the first date on which a Prepaid No-Call Advance may be paid in full without premium or penalty, which shall be the earlier of (a) the Stated Maturity Date of such Prepaid No-Call Advance or (b) the first installment payment due date after the end of the No-Call Period applicable to such Prepaid No-Call Advance.

*“No-Call Period”* means any period of time during which a No-Call Advance may not be prepaid pursuant to the Note Purchase Documents.

“*No-Call Prepayment Amount*” means the aggregate amount required to pay in full all Scheduled Debt Payments on all Prepaid No-Call Advances through and including the respective No-Call Payment Dates of each such Prepaid No-Call Advances.

“*No-Call Prepayment Closing Date*” means the Business Day on which the Shipowner pays the No-Call Prepayment Amount to the Administrator to be deposited into the No-Call Prepayment Fund, which may not be more than ten (10) Business Days, nor less than five (5) Business Day after the date on which the Administrator receives a No-Call Prepayment Notice.

“*No-Call Prepayment Collateral*” means the monies deposited in the No-Call Prepayment Fund by the Shipowner pursuant to Section 17.01 of Annex C of this Agreement and the proceeds thereof.

“*No-Call Prepayment Fund*” means the account established pursuant to Section 17.01 of Annex C of this Agreement and held in the name of and for the benefit of the Administrator at Treasury pursuant to Section 53716 of Chapter 537 to be administered pursuant to Article XVII of Annex C of this Agreement and to be utilized by the Administrator to pay Scheduled Debt Payments with respect to Prepaid No-Call Advances and as Collateral pursuant to Article IV of Annex C of this Agreement.

“*No-Call Prepayment Notice*” means the written notification given by the Shipowner to the Administrator pursuant to Section 17.02(a)(2) of Annex C of this Agreement with respect to a Mandatory Prepayment to be made, in whole or in part, with respect Prepaid No-Call Advances, which notice may not be rescinded.

 *“Note”* means the Note issued by the Shipowner to FFB pursuant to the Note Purchase Agreement dated as of the date set forth in Annex A of this Agreement opposite such term.

*“Note Purchase Agreement”* means the Note Purchase Agreement among FFB, the Shipowner and the Administrator dated as of the date set forth in Annex A of this Agreement opposite such term.

 *“Note Purchase Document”* means the Note, the Note Purchase Agreement and any other document executed in connection therewith, and *“Note Purchase* *Documents*” means all of such documents.

*“OFAC”* means the Office of Foreign Assets Control of Treasury.

“*Officer's Certificate*” means a certificate conforming to Section 18.01 of Annex C of this Agreement.

“*Opinion of Counsel*” means an opinion of the Shipowner’s and the Affiliated Guarantor’s counsel, substantially in the form attached to this Agreement as Annex O and acceptable to the Administrator.

“*Organizational Documents*” means (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws; (b) with respect to any limited liability company, the certificate or articles of formation or organization and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership, joint venture or other applicable agreement of formation or organization and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation or organization with the applicable governmental authority in the jurisdiction of its formation or organization and, if applicable, any certificate or articles of formation or organization of such entity.

“*Organizational Form*” means, with respect to the Shipowner, the organizational form set forth on the first page of this Agreement and, with respect to the Affiliated Guarantor(s), means the organizational form set forth on Annex A of this Agreement.

“*Outstanding*” means, when used with reference to the Note, all Advances theretofore made under the Note, except Advances that have been Paid.

“*Paid*” means, as applied to the Note and the indebtedness evidenced thereby, the applicable Advances that have been paid in full (by prepayment, at maturity or otherwise) and are no longer entitled to any rights or benefits provided pursuant to the Transaction Documents.

*“Par Prepayment/Refinancing Privilege”* has the meaning specified in Section 12.3 of Note Purchase Agreement.

 *“Payment Date”* means the date that the principal of the Outstanding Advances and interest accrued on the Outstanding Advances are due and payable as specified on page 1 of the Note and as set forth on Annex A of this Agreement opposite such term.

“*Payment Default*” has the meaning set forth in Section 14.01(a) of Annex C of this Agreement.

 “*Permitted Liens*” means:

(a) The rights of the Shipyard under the Construction Contract, if any;

(b) Liens on any undelivered Vessel which the Shipyard is obligated to discharge under the Construction Contract;

(c) Special Subordinated Liens,

(d) Liens with respect to loans, mortgages and indebtedness guaranteed by the Administrator under Chapter 537 or related to the construction of a vessel approved pursuant to Chapter 537 by the Administrator;

(e) Liens arising for damages out of tort covered by insurance, except for any deductible amounts applicable thereto, for wages of a stevedore when employed directly by the owner, operator, master, ship’s husband or agent of any Vessel, for wages of the crew of any Vessel, for general average, for salvage, including contract salvage, provided the same are paid immediately when due;

(f) Liens in favor of any person furnishing repairs, supplies, towage, use of dry dock or marine railway, or other necessaries to any Vessel on the order of the Shipowner, or of a person authorized by the Shipowner, provided that the same are paid immediately when due;

   (g) Liens imposed on any Vessel for taxes or governmental charges or levies, provided that the same are paid immediately when due;

(h) Liens incurred in the ordinary course of business of any Vessel not relating to money borrowed which (1) will be paid immediately when due, and (2) which, in the aggregate, at any time are not material to the operations or financial condition of the Shipowner;

(i) Liens arising by operation of law as a result of the modification of and repairs to any Vessel, including mechanic’s liens, provided that the same are paid immediately when due; and

(j) Liens in favor of the Administrator granted pursuant to this Agreement, the Mortgage or the other Transaction Documents.

 “*Person*” or “*Persons*” means any individual, corporation, partnership, joint venture, association, limited liability company, joint‑stock company, trust, unincorporated organization, other entity, government, or any agency or political subdivision thereof.

“*Prepaid* *No-Call Advances*” means all No-Call Advances, specified in each No-Call Prepayment Notice, pursuant to which the Shipowner has deposited No-Call Prepayment Collateral in the No-Call Prepayment Fund sufficient to pay all Scheduled Debt Payments on such No-Call Advances through and including their respective No-Call Prepayment Payment Date. “*Primary Covenants*” means those covenants set forth in Section 12.01 of Annex C of this Agreement.

“*Proportionate Part*" means, with respect to the item in question, the portion of the item in question, as of the date of any calculation, which bears the same proportion to the entire amount of the item in question as: (a) the Depreciated Actual Cost of the Vessel as of the date of such calculation bears to (b) the Depreciated Actual Cost of all the Vessels as of such date, all as determined by the Administrator.

“*Qualifying Financial Covenants of Affiliate Guarantor*” means those qualifying financial covenants of the Affiliate Guarantor set forth on Annex A of this Agreement opposite such term.

“*Qualifying Financial Covenants of Shipowner*” means those qualifying financial covenants of the Shipowner set forth on Annex A of this Agreement opposite such term.

“*Quarterly Financial Statement Certification*” means the Officer’s Certificate of the Shipowner and the Affiliate Guarantor (a) certifying to the accuracy of certain financial statements pursuant to Section 13.05 of Annex C of this Agreement and (b) confirming that no Default exists pursuant to Section 13.08(b) of Annex C of this Agreement, in the form attached to this Agreement as Annex M-2.

“*Related Party*” means, with respect to any Person, another Person that can exercise control or significant influence over the management and/or operating policies of another Person, to the extent that one of the Persons may be prevented from fully pursuing its own separate interests. Related parties consist of all affiliates of an enterprise, including (a) its management and their immediate families, (b) its principal owners and their immediate families, (c) its investments accounted for by the equity method, (d) beneficial employee trusts that are managed by the management of the enterprise, and (e) any Person that may, or does, deal with the enterprise and has ownership of, control over, or can significantly influence the management or operating policies of another Person to the extent that an arms-length transaction may not be achieved.

“*Request*” means a written request to a Person for the action therein specified, signed by a Responsible Officer of the Person making such request.

“*Required Equity Amount*” means the amount set forth on Annex A of this Agreement opposite such term representing the minimum amount of equity of the Shipowner in the Vessel as determined by the Administrator.

“*Reserve Fund Net Income*” has the meaning set forth in Section 6.02 of Annex C of this Agreement.

“*Reserve Fund Net Income* *Deposit*” has the meaning set forth in Section 6.04 of Annex C of this Agreement.

 “*Responsible Officer*” means, in the case of any business entity, the chairman of the board of directors, the president, any executive or senior vice president, the secretary, the treasurer, the managing member or the general partner of such business entity.

“*Rights Under the Construction Contracts and Related Contracts*” means all of the right, title and interest of the Shipowner in and to each Construction Contract, which was assigned to the Administrator pursuant to the Assignment of Construction Contract, together with all other contracts, whether now in existence or hereafter entered into, relating to the Construction of each Vessel.

“*Scheduled Debt Payments*” means, with respect to each Prepaid No-Call Advance, the aggregate of (a) all installment payments of the principal of each Prepaid No-Call Advance, and interest, premiums and Late Charges, if any, thereon, to occur prior the No Call Payment Date occurring with respect to such Prepaid No-Call Advance after the date of the No-Call Prepayment Notice, and (b) the payment of all Outstanding principal of the Prepaid No-Call Advance, and interest, premiums and Late Charges, if any, due with respect to such Prepaid No-Call Advance on the No-Call Payment Date.

“*Security Default*” has the meaning specified in Section 14.01(b) of Annex C of this Agreement.

“*Shipowner*” means the entity set forth on the first page of this Agreement; provided, however, that in the event of a Shipyard Project, the term “*Shipowner*” means the Shipyard, as appropriate.

“*Shipyard*” means each, and “*Shipyards*” means every, Shipyard set forth on Annex A of this Agreement opposite such term.

“*Shipyard Project*” means any shipyard modernization and improvement project described on Annex A of this Agreement opposite such term and in compliance with the requirements of Section 53733 of Chapter 537.

“*Solvent*” mean, with respect to any Person on any date of determination, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not reasonably foresee that it will, incur debts or liabilities beyond such Person’s ability to pay such debts and liabilities as they mature, (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person’s property would constitute an unreasonably small capital, and (e) such Person is able to pay its debts and liabilities, contingent obligations and other commitments as they mature in the ordinary course of business. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

“*Special Security Default”* means those additional events constituting a Security Default under this Agreement as set forth on Annex A of this Agreement opposite such term.

 “*Special Subordinated Liens*” means those Liens that are permitted by the Administrator to be subordinate to the Mortgage or any Lien granted to the Administrator under this Agreement and the other Transaction Documents as set forth on Annex A of this Agreement opposite such term.

“*Stated Maturity Date*” means the date determinable as set forth in the Note as the “Maturity Date” as the final date on which the principal of and unpaid interest on the Note is due and payable and as set forth on Annex A of this Agreement opposite such term.

“*Subordinating Equity Interest Holder*” means an Equity Interest Holder that has subordinated its Equity Interest in favor the Administrator.

“*Supplemental Covenants*” means those covenants set forth in Sections 12.02 of Annex C of this Agreement.

 “*Supplemental Financial Covenants of Affiliate Guarantor*” means the supplemental financial covenants of the Affiliate Guarantor set forth on Annex A of this Agreement opposite such term.

“*Supplemental Financial Covenants of Shipowner*” means the supplemental financial covenants of the Shipowner set forth on Annex A of this Agreement opposite such term.

“*Surety*” means a surety company or companies as shall be satisfactory to the Administrator.

“*Surety Bonds*” means the performance bonds and payment bonds to be maintained by the Shipowner during the Construction naming the Shipowner and the Administrator as co-obligees in form and substance satisfactory to the Administrator.

 “*Transaction* *Document*” means any of this Agreement, the Administrator’s Note, the Assignment of Construction Contract, the Assignment of Earnings, the Assignment of Insurances, the Mortgage, the Affiliate Guaranty, the Note, any Note Purchase Document or any other related document, and “*Transaction Documents*” means all of such documents.

“*Transferee*” means the Person to which a sale of a Vessel shall have been made pursuant to Section 15.01 of Annex C of this Agreement.

“*Treasury*” means the United States Department of Treasury.

“*UCC*” means the Uniform Commercial Code as adopted in the UCC State.

*“UCC State*” has the meaning set forth on Annex A of this Agreement opposite such term.

*“Unaudited Financial Statements*” means, with respect to any Person, the unaudited balance sheet and the related statement of income or operations, shareholders’ equity and cash flows for such fiscal period of such Person.

*“United States”* or “*U.S.*” means the United States of America.

 *“Unrestricted Advance”* means any Outstanding Advance that is not subject to a No-Call Period.

 “*Vessel*” or “*Vessels*” means (a) prior to the Delivery Date, the hull and all work, material, goods, components, machinery, and equipment which are purchased for, identified for use in the hulls and vessels to be built pursuant to the Construction Contract, whether or not located at the Shipyard, and (b) from and after the Delivery Date, shall mean such vessel or vessels as completed in accordance with the Construction Contract, together with related appurtenances, additions, improvements and replacements, and which are further identified in the Granting Clauses of the Mortgage, and are more particularly described on Annex A of this Agreement opposite such term.

“*Working Capital*” means, with respect to the Shipowner and the Affiliate Guarantor, as of any date, the excess of its current assets over its current liabilities, both determined in accordance with generally accepted accounting principles and adjusted as follows: (a) in determining current assets, there shall also be deducted: (1) Any securities, obligations or evidence of indebtedness of a Related Party or of any stockholder, director, officer or employee (or any member of his family) of the Shipowner or of such Related Party, except advances to agents required for the normal current operation of the Shipowner’s vessels and current receivables arising out of the ordinary course of business and not outstanding for more than sixty (60) days; and (2) An amount equal to any excess of unterminated voyage revenue over unterminated voyage expenses; (b) in determining current liabilities, there shall be deducted any excess of unterminated voyage expenses over unterminated voyage revenue; and (c) in determining current liabilities, there shall be added one half of all annual charter hire and other lease obligations (having a term of more than six (6) months) due and payable within the succeeding fiscal year, other than charter hire and such other lease obligations already included and reported as a current liability on the Shipowner’s balance sheet.

2. **Other Interpretive Provisions.**  With reference to this Agreement and each other Transaction Document, unless otherwise specified herein or in such other Transaction Document:

(a)      **Construction**. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined.  Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.  The words “*include*,” “*includes*” and “*including*” shall be deemed to be followed by the phrase “*without limitation*.”  The word “*will*” shall be construed to have the same meaning and effect as the word “*shall*.”  Unless the context requires otherwise, (1) any definition of or reference to any agreement, instrument or other document (including any Organizational Document) shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Transaction Document), (2) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (3) the words “*herein*,” “*hereof*” and “*hereunder*,” and words of similar import when used in any Transaction Document, shall be construed to refer to such Transaction Document in its entirety and not to any particular provision thereof, (4) all references in a Transaction Document to Articles, Sections, Annexes, Appendices and Schedules shall be construed to refer to Articles and Sections of, and Annexes, Appendices and Schedules to, the Transaction Document in which such references appear, (5) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (6) the words “*asset*” and “*property*” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b)       **Computation Periods**. In the computation of periods of time from a specified date to a later specified date, the word “*from*” means “*from but not including*;” the words “*to*” and “*until*” each mean “*to and including*;” and the word “*through*” means “*to and including*.”

(c)     **Section Headings.** Section headings herein and in the other Transaction Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Transaction Document.

(d) **Accounting Terms.**

(1)  **Generally.**  All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with GAAP, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein or in relevant federal regulations.

(2)  **Changes in GAAP.**  If at any time any change in GAAP would affect the computation of any financial covenant or requirement set forth in any Transaction Document, and the Shipowner shall so request, the Administrator and the Shipowner shall negotiate in good faith to amend such covenant or requirement to preserve the original intent thereof in light of such change in GAAP; provided that, until so amended, (A) such covenant or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (B) the Shipowner shall provide to the Administrator financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

(3) **Consolidation of Variable Interest Entities.** All references herein to consolidated and consolidating financial statements of the Shipowner and the Affiliate Guarantor or to the determination of any amount for the Shipowner and the Affiliate Guarantor on a consolidated basis or any similar reference shall, in each case, be deemed to include each variable interest entity that the Shipowner and the Affiliate Guarantor are required to consolidate pursuant to Topic 810 of the Accounting Standards Codification (ASC) maintained by the Financial Accounting Standards Board (FASB) as if such variable interest entity were an Affiliate.

(e) **Uniform Commercial Code Terms.**

All other capitalized terms contained in this Agreement and not otherwise defined herein have, when the context so indicates, the meanings provided for by the UCC to the extent the same are used or defined therein. Without limiting the generality of the foregoing, the following terms have the meaning ascribed to them in the UCC: Equipment, Inventory, Accounts, Chattel Paper, General Intangibles, Goods, Documents, Instruments, Letter of Credit, Letter of Credit Rights, Investment Property, Commercial Tort Claims, Deposit Accounts and, Accessions. Subject to the foregoing, the term "UCC" refers, as of any date of determination, to the UCC then in effect.

(f) **Rounding.**

Except as may otherwise be noted in the calculation of any financial ratios, any financial ratios required to be maintained by the Shipowner or the Affiliate Guarantor pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest tenth of the number (with a rounding-up if there is no nearest tenth of the number).

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The following table, which is provided solely for convenience of reference and shall not affect the interpretation of this Agreement, generally identifies the location where capitalized terms are used in this Agreement:

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Vessel Introduction, Annex A, Annex C, Annexes F, G, H-1, H-2, I, J, L

Working Capital Annex A, Annex N

(End of Annex B)