**ANNEX N**

**FORM OF COMPUTATION OF RESERVE FUND NET INCOME, TOTAL DEPOSITS OR NO DEPOSITS AND ACCOUNTANT’S STATEMENT**

**Annual Accountant’s Statement of Reserve Fund Total Deposits or No Deposit**

[Letterhead of Certified Public Accountant(s)]

[Date]

[Name of Shipowner]

[Address of Shipowner]

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of [Name of Shipowner] (the “***Shipowner***”) as of the fiscal year ending \_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_, and the related statements of operations, retained earnings, and cash flows for the year then ended, and have issued our report thereon, dated \_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_.

In accordance with the requirements of Section 6.03 of Annex C of the Consolidated Agreement, dated \_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_, Contract No. MA-\_\_\_\_\_\_ (the “***Agreement***”) between the Shipowner and the United States of America, represented by Maritime Administrator of the Maritime Administration (the “***Administrator***”), we are submitting the following statement. Capitalized terms used herein and not otherwise defined herein have the respective meanings set forth in the Agreement.

Our audit was not directed primarily toward obtaining knowledge of such matter; however, the Shipowner [**is/is not**] required to make a Reserve Fund Net Income Deposit for the fiscal year ended 20\_\_\_\_\_\_ into the Chapter 537 Reserve Fund in accordance with Section 6.04 of Annex C of the Agreement. The Shipowner does [**satisfy/not satisfy**] the Supplemental Financial Covenants set forth in Annex A of the Agreement and as presented below:

|  |  |  |
| --- | --- | --- |
| **Description** | **Required** | **Actual** |
| Working Capital |  |  |
| Net Worth |  |  |
| Long-Term Debt to Net Worth |  |  |
| Other |  |  |

We are not aware of any required adjustments to the Shipowner’s Working Capital, Net Worth, or Long-Term Debt to Net Worth previously calculated as of the prior fiscal year ended \_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_\_.

 This statement is intended solely for the information and use of the board of directors and management of the Shipowner and the Administrator and is not and should not be used by anyone other than these specified parties.

Respectfully,

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[NAME OF accountant]

[Title]

**Supplemental Financial Covenants of Shipowner Computations**

**As of fiscal year ended \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_**

**Working Capital:**

|  |  |
| --- | --- |
| Current Assets | $ |
| Less: Current Liabilities |  ($ ) |
| Working Capital  | $ |

**Long-Term Debt to Net Worth:**

|  |  |
| --- | --- |
| Long-Term Debt | $ |
| Net Worth | $ |
| Ratio  |  ≤ \_\_:1 |

**Minimum Net Worth Required:**

|  |  |
| --- | --- |
| Minimum Net Worth Requirement | $ |
| Actual Net Worth | $ |

**Additional Covenant (if required):**

|  |  |
| --- | --- |
| \_\_\_\_\_\_ Requirement | $ |
| Actual Value/Result | $ |

**RESERVE FUND NET INCOME DEPOSIT COMPUTATION**

As of fiscal year ended \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_

|  |  |
| --- | --- |
| Covenant Violation(s) Requiring Deposit? | Yes/No |
| **Percentage of Income Earned on Vessels:** |  |
| [A] Total Original Vessel Capitalized Cost of All Vessels per Agreement  | $ |
| [B] Total Original Capitalized Costs of Fixed Assets at Closing (\_\_\_/\_\_\_/20\_\_\_)  | $  |
| [C] **Percentage of Net Income from Vessels** [A] divided by [B] | \_\_\_\_% |
| **Reserve Fund Net Income Computation:** |  |
| [D] Net Income after Taxes | $ |
| [E] Plus Depreciation | $ |
| [F] Less Principal Amount of Debt Paid or Redeemed by Shipowner in the fiscal year | $ |
| [G] Less Principal Amount of Chapter 537 Loan Principal Paid in fiscal year (excluding payments from the Chapter 537 Reserve Fund, including the Late Charges Reserve Subfund, and the Interest Escrow Fund) | $ |
| [H] **Reserve Fund Net Income** [D] + [E] – [F] – [G] x [C] | $ |
| **Reserve Fund Net Income Deposit Computation:** | $ |
| [H] Reserve Fund Net Income | $ |
| [I] Less 10% of Aggregate Original Equity Investment in Each Vessel | $ |
| [J] **Adjusted Reserve Fund Net Income** [H] – [I]  |  |  | $ |
| [K] **Reserve Fund Net Income Deposit** [J] x 50% | $ |
| [L] Current Amount in Chapter 537 Reserve Fund | $  |
| [M] 50% of Current Amount of Outstanding Advances | $ |
| **[N] Required Reserve Fund Net Income Deposit is [K] unless [L] exceeds [M]** | $  |

*(End of Annex N)*