**ANNEX P**

**FORM OF EQUITY INTEREST SUBORDINATION AGREEMENT**

**SUBORDINATION AGREEMENT**

**(Equity Interest Holder)**

**THIS SUBORDINATION AGREEMENT** ("***Subordination Agreement***") is made this \_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_, by and between \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ having a principal place of business located at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, (the “***Shipowner***”), and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ having a principal place of business located at\_\_\_\_\_\_\_\_\_\_\_\_\_\_, (the "***Subordinating Equity Interest Holder***") in favor of  the United States of America (the "***United States***"), represented by the Maritime Administrator of the Maritime Administration (the “***Administrator***”), located at the United States Department of Transportation, 1200 New Jersey Avenue, S.E., Washington, D.C. 20590.  Capitalized terms used herein and not otherwise defined herein have the respective meanings set forth in the Consolidated Agreement, Contract No. MA-\_\_\_\_\_\_\_, dated \_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_ between the Shipowner and the Administrator (the “***Agreement***”).

**RECITALS**

1. The Shipowner has authorized the execution and delivery of the Note Purchase Agreement and the issuance of the Note in the Maximum Principal Amount to finance the construction, reconstruction or reconditioning of the Vessels;
2. In connection with the Financing, the Administrator and the Shipowner executed the Agreement in which the Administrator committed to guarantee to the Holder the due payment of the unpaid interest on, and the unpaid balance of the principal of, the Note up to the Amount of Administrator’s Guarantee;
3. In connection with the Financing, the Shipowner issued the Administrator’s Note payable in the amount equal to the Amount of Administrator’s Guarantee to the Administrator; and
4. The Subordinating Equity Interest Holder is an equity interest holder in the Shipowner and the [insert any positions held by the Subordinating Equity Interest Holder in Shipowner] and is enjoying or will enjoy substantial benefits from the extension of credit evidenced by the Note and secured by the Administrator’s Guarantee.

**NOW, THEREFORE**, as a material inducement to the Administrator to issue the Administrator’s Guarantee, and in consideration of the benefits accruing to the Subordinating Equity Interest Holder by reason of the Administrator’s Guarantee, the parties hereto covenant and agree as follows:

1. **Payments on Subordinating Equity Interest Holder's Claims**.
2. While the Administrator’s Guarantee remains Outstanding, the Shipowner will not make any payments upon any amounts owed by the Shipowner to the Equity Interest Holder with respect to its Equity Interest, or any debts, claims, redemption rights, loan obligations or any other obligations of any type whatsoever (collectively, the "***Subordinating Equity Interest Holder's Claims***") to the Subordinating Equity Interest Holder whether existing at the time of the making of this Subordination Agreement or arising hereafter; provided, however, that, if the Shipowner is not then in Default under the Agreement and is and continues to retain its status as a pass-through entity for tax purposes, the Shipowner may distribute to the Subordinating Equity Interest Holder, for the purpose of assisting the Subordinating Equity Interest Holder in its efforts to pay its annual federal income taxes with respect to the immediately preceding tax year, a sum equal to no greater than the Subordinating Equity Interest Holder’s distributive share of the amount of taxes the Shipowner would have paid for that tax year if the Shipowner had been taxed under Subchapter C of Chapter 1 of the Internal Revenue Code of 1986, as amended. Any other distribution for the payment of taxes requires the Administrator’s prior consent.
3. The Subordinating Equity Interest Holder agrees that it will not accept or receive from the Shipowner any payment in contravention of Section 1(a) hereof, nor will it make any transfer to third parties not a party to this Subordination Agreement or take any other action designed to secure indirectly from the Shipowner the payment of any sums in contravention of Section 1(a) hereof.
4. The Subordinating Equity Interest Holder agrees that, if it should accept or receive any payment from the Shipowner in contravention of Section 1(a) hereof, the Subordinating Equity Interest Holder shall hold same in trust for the Administrator and agree that it shall have absolutely no rights in or to or dominion over such payments except to pay them promptly to the Administrator; and the Subordinating Equity Interest Holder hereby covenants to do so, and until such payments are received by the Administrator, the Subordinating Equity Interest Holder shall be personally liable to the Administrator for same, together with interest at the Expended Funds Rate plus two percent (2%) from the date the monies were initially paid and all reasonable attorneys' fees and costs incurred by the Administrator in collecting such payments from the Subordinating Equity Interest Holder.
5. The Subordinating Equity Interest Holder agrees (i) not to commence or threaten to commence any action or proceeding, sue upon, or to collect, or to receive payment of any Subordinating Equity Interest Holder's Claims which the Subordinating Equity Interest Holder may hold against the Shipowner, (ii) not to sell, assign, transfer, pledge, hypothecate, or encumber such claim or claims except subject expressly to this Subordination Agreement, and not to enforce or apply any security now or hereafter existing therefor, (iii) not to file or join in any petition to commence any proceeding under the Bankruptcy Code, and (iv) not to take any lien or security on any of Shipowner's property, real or personal, in each case, until 91 days following the date all claims of the Administrator against the Shipowner have been indefeasibly satisfied in full and the Administrator’s Guarantee has been terminated.
6. In case of any assignment for the benefit of creditors by the Shipowner or any proceedings under the Bankruptcy Code are instituted by or against the Shipowner, or in case of the appointment of any receiver for the Shipowner's business or assets, or in case of any dissolution or winding up of the affairs of the Shipowner:  (a) the Shipowner and any assignee, trustee in Bankruptcy, receiver, debtor in possession or other person or persons in charge are hereby directed to pay to the Administrator the full amount of the Administrator’ claims against the Shipowner (including interest to the date of payment) before making any payment of Subordinating Equity Interest Holder's Claims to the Subordinating Equity Interest Holder, and insofar as may be necessary for that purpose, the Subordinating Equity Interest Holder hereby assigns and transfers to the Administrator all security or the proceeds thereof, and all rights to any payments, dividends or other distributions; and (b) the Subordinating Equity Interest Holder hereby irrevocably constitutes and appoints the Administrator as its true and lawful attorney to act in its name and stead:  (i) to file the appropriate claim or claims on behalf of the Subordinating Equity Interest Holder if the Subordinating Equity Interest Holder does not do so prior to thirty (30) days before the expiration of the time to file claims in such proceeding and if the Administrator elects at its sole discretion to file such claim or claims; and (ii) to accept or reject any plan of reorganization or arrangement on behalf of the Subordinating Equity Interest Holder, and to otherwise vote the Subordinating Equity Interest Holder’s claim in respect of any indebtedness now or hereafter owing from the Shipowner to the Subordinating Equity Interest Holder in any manner the Administrator deem appropriate for its own benefit and protection.
7. The Administrator is hereby authorized by the Subordinating Equity Interest Holder to:  (a) renew, compromise, extend, accelerate or otherwise change the time of payment, or any other terms, of the extension of credit secured by the Administrator’s Guarantee and any future loans or extensions of credit; (b) increase or decrease the rate of interest payable thereon or any part thereof; (c) exchange, enforce, waive or release any security therefor; (d) apply such security and direct the order or manner of sale thereof in such manner as the Administrator may at its sole discretion determine; and (e) release the Shipowner or any guarantor of any indebtedness of the Shipowner from liability, all without notice to the Subordinating Equity Interest Holder and without affecting the subordination provided by this Subordination Agreement.  The Subordinating Equity Interest Holder hereby expressly consents to all future Advances made under the Note and the Administrator’s Note secured by the Administrator’s Guarantee.
8. Until all such claims of Administrator against the Shipowner, now or hereafter existing, shall be paid in full, no gift or loan shall be made by the Shipowner to the Subordinating Equity Interest Holder.
9. **Subordination**.  The Subordinating Equity Interest Holder agrees that any and all of the Subordinating Equity Interest Holder's Claims shall be deemed subordinate to the Note, the Administrator’s Note and the Shipowner’s obligations to the Administrator under the Agreement and the other Transaction Documents and all claims of the Administrator against the Shipowner, and in the event of the liquidation of the Shipowner or distribution of its assets, the Note, the Administrator’s Note and the Shipowner’s obligations under the Agreement and the other Transaction Documents shall be satisfied and discharged before the Subordinating Equity Interest Holder receives any distributive share or payment on account of the Subordinating Equity Interest Holder's Claims; and the Subordinating Equity Interest Holder further agrees to execute and deliver to the Administrator such assignment(s) or other instruments as may be required by the Administrator in order to enable it to enforce any and all such claims and to collect any and all dividends or other payments or disbursements which may be reasonably made at any time on account of all or any portion of the Subordinating Equity Interest Holder's Claims hereby subordinated.
10. **Waivers**.  While the Note and the Administrator’s Note are outstanding and the Administrator’s Guarantee is not terminated, irrespective of the maturity date of any of the Subordinating Equity Interest Holder's Claims, the Subordinating Equity Interest Holder hereby expressly waives any and all rights to payment by the Shipowner of any and all of the Subordinating Equity Interest Holder's Claims prior to repayment in full of the Note and the Administrator’s Note, the termination of the Administrator’s Guarantee and the fulfillment of all obligations of the Shipowner to the Administrator under the Transaction Documents.  The Subordinating Equity Interest Holder hereby expressly waives all notices with respect to the creation, renewal, modification, extension or enlargement of the Note, the Administrator’s Note and any of the Transaction Documents.
11. **The Administrator**.
12. This Subordination Agreement is given to the Administrator to induce it to close and consummate the transactions contemplated by the Transaction Documents, and with full knowledge that the Administrator has and shall continue to rely upon the representations, covenants and provisions set forth herein in issuing the Administrator’s Guarantee and in extending any additional credit to the Shipowner.
13. Should any representation herein be found to be false or misleading or should any covenant herein be breached, the Administrator shall be entitled to exercise and may exercise any and all of its rights, powers and remedies set forth in the Agreement and any other Transaction Document, including, without limitation, the Mortgage.
14. **Miscellaneous**.
15. The subordination hereby effected may be terminated only by written notice from the Administrator to the Subordinating Equity Interest Holder.
16. No right, power or remedy of the Administrator as provided in this Subordination Agreement is intended to be exclusive of any other right, power or remedy of the Administrator provided in any document executed in connection with the Agreement and the other Transaction Documents, but each and every such right, power and remedy shall be cumulative and concurrent and in addition to any other right, power or remedy available to the Administrator now or hereafter existing at law or in equity and may be pursued separately, successively or together at the sole discretion of the Administrator.  The delay or failure of the Administrator to exercise any right, power or remedy shall in no event be construed as a waiver or release thereof.  No waiver of any breach of this Subordination Agreement shall extend to or affect any subsequent or other breach then existing, or impair any rights, powers or remedies consequent thereon, and no delay or omission of the Administrator to exercise any right, power or remedy shall be construed to waive any such breach or to constitute acquiescence therein.
17. This Subordination Agreement shall be binding upon the Shipowner and the Subordinating Equity Interest Holder and their respective heirs, successors and assigns and shall inure to the benefit of the Administrator, its successors and assigns.
18. This Subordination Agreement may only be amended or supplemented in writing and with the Administrator’s prior written approval.
19. THIS SUBORDINATION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE UNITED STATES OF AMERICA, INCLUDING FEDERAL COMMON LAW, AND ABSENT APPLICABLE FEDERAL LAW, THE LAWS OF THE GOVERNING LAW STATE, NOTWITHSTANDING ITS CONFLICT OF LAWS RULES.
20. THE SHIPOWNER AND THE SUBORDINATING EQUITY INTEREST HOLDER IRREVOCABLY AND UNCONDITIONALLY SUBMIT, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF THE COURTS OF THE JURISDICTION STATE/CITY AND OF THE UNITED STATES DISTRICT COURT OF THE JURISDICTION STATE, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SUBORDINATION AGREEMENT OR ANY, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND SUCH PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT, EXCEPT SUCH MATTERS PROPERLY BROUGHT TO THE U.S. COURT OF FEDERAL CLAIMS. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS SUBORDINATION AGREEMENT OR IN ANY OTHER TRANSACTION DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATOR MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS SUBORDINATION AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT AGAINST THE SHIPOWNER, THE SUBORDINATING EQUITY INTEREST HOLDER OR ANY OTHER TRANSACTION PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.
21. THE SHIPOWNER AND THE SUBORDINATING EQUITY INTEREST HOLDER IRREVOCABLY AND UNCONDITIONALLY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS SUBORDINATION AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT IN ANY COURT REFERRED TO IN SECTION 5(f) HEREOF. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.
22. ALL NOTICES, REQUESTS, DEMANDS, DIRECTIONS, CONSENTS, WAIVERS, APPROVALS OR OTHER COMMUNICATIONS HEREUNDER MUST BE IN WRITING AND MAY BE MADE OR DELIVERED IN PERSON OR BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, OR BY ELECTRONIC OR FACSIMILE TRANSMISSION WITH CONFIRMATION, ADDRESSED TO THE PARTY AS PROVIDED BELOW, OR AT SUCH OTHER ADDRESS AS SUCH PARTY SHALL ADVISE EACH OTHER PARTY BY NOTICE IN ACCORDANCE WITH THIS SECTION, WHICH SHALL BE A UNITED STATES ADDRESS, AND SHALL BE EFFECTIVE UPON RECEIPT BY THE ADDRESSEE THEREOF:

[INSERT ADDRESSES, EMAIL, FAX NUMBERS, ETC. FOR PARTIES]

THE SHIPOWNER AND THE SUBORDINATING EQUITY INTEREST HOLDER IRREVOCABLY AND UNCONDITIONALLY CONSENT TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN THIS SUBSECTION.

1. EACH PARTY HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS SUBORDINATION AGREEMENT OR ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS SUBORDINATION AGREEMENT AND THE OTHER TRANSACTION DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

(Signatures Continued on Following Page)

IN WITNESS WHEREOF, this Subordination Agreement has been executed on the date first above written.

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| ATTEST: | SHIPOWNER:   |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Name:Title: | By:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Name:Title:s |
| ATTEST:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Name:Title: | SUBORDINATING EQUITY INTEREST HOLDER:  By:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Name:Title: |

(End of Annex P)