

Illustration—Cost of Foreign Components Satisfying Equity Requirements

Assuming that the total project cost is \$100 million, of which the cost of foreign components in the hull and superstructure total \$20 million, and that the Title XI applicant has requested financing for 87½ percent of the cost of the project, the following is a demonstration of how the value of the foreign components in the hull and superstructure may be used in meeting the equity requirements of § 298.13(a)(3):

Cost of Foreign Components Excluded from Actual Cost

Table with 2 columns: Description, Amount. Rows include: Cost of Project (\$100.0 million), Cost of Foreign Components in Hull and Superstructure (\$20.0 million), Total Actual Cost of Project (\$80.0 million), Required Equity (12½ percent) (\$10.0 million), Total Project Cost Financed w/ Title XI (87½ percent) (\$70.0 million).

The \$10 million in required equity may be satisfied by the owner's contribution of the foreign components of hull and superstructure to the project.

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(4) Financial Information. The applicant shall submit the following additional financial statements with respect to both the proposed Title XI project and the overall operations of the applicant, prepared in accordance with 46 CFR part 232 and including notes to explain the basis used for arriving at the figures:

(i) The three most recent audited financial statements of the applicant, its parent, if any, and other significant participants. If the applicant is a new entity or is to be funded from or guaranteed by external source(s), it shall provide the audited financial statements of the funding source(s);

(ii) A pro forma balance sheet of the applicant as of the estimated date of execution of the Guarantees reflecting the assumption of the Title XI Obligations;

(iii) A schedule of amortization of all existing debt (Title XI or otherwise) of the applicant for the period in which the Guarantees are to be outstanding; and

(iv) A Sources and Uses Statement for the first full year of operations and the following five years, including a clear source of funding for the payment of all debt when due.

(b) Financial Definitions. * * *

(2) Working Capital means the difference between current assets and current liabilities, adjusted as follows:

(i) Current assets shall exclude: (A) Amounts in or required to be set aside in any Title XI Reserve Fund, pursuant to § 298.35(e) or Capital Construction Fund Security Amount prescribed by § 298.35(f), (excluding that portion of such fund which is

available for the payment of current liabilities) that is being maintained pursuant to an agreement covering a Vessel owned or leased by the company, or in another similar fund required under any other mortgage, indenture or other agreement to which the company is a party; and

(B) Any receivables from a Related Party or from any stockholder, director, officer or employee (or their family) of the company or of a Related Party other than current receivables arising out of the ordinary course of business and not outstanding for more than 60 days.

(ii) Current liabilities shall include the current portion of charter hire and other lease obligations not already included as a current liability.

(3) Equity (net worth) shall be exclusive of:

(i) Any receivables from a Related Party or from any stockholder, director, officer or employee (or their family) of the company or of a Related Party other than current receivables arising out of the ordinary course of business and not outstanding for more than 60 days, and (ii) Any increment resulting from the reappraisal of assets.

(4) Long Term Debt shall exclude the balance of Escrow Fund deposits attributable to the principal of Obligations sold, where deposits are required in accordance with § 298.33. However, there shall be included any guarantee or other liability for the debt of any other Person.

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(e) Special financial requirements at closing. * * *

(2) Lessee or charterer as operator. * * *

(i) Working Capital. The Company shall have Working Capital in an amount determined in accordance with the provisions of paragraph (e)(1)(i) of this section, applicable as if the owner were the operator.

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9. Section 298.14, is amended by revising paragraph (a)(2)(i)(F) introductory text to read as follows:

§ 298.14 Economic soundness.

(a) Economic Evaluation. * * *

(2) Project Feasibility. * * *

(i) Relevant market. * * *

(F) The potential for purchasing existing equipment of a reasonable condition and age from another source, including information regarding—

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§ 298.16 [Amended]

10. Section 298.16, Substitution of participants, is amended by removing paragraph (a) and redesignating the

introductory text as paragraph (a); by revising in the last sentence of newly designated paragraph (a) the phrase "is applicable, as follows:" to read "is applicable."; and by removing the paragraph (b) heading Mortgage assumption and revising the phrase "Payment of \$3,000 fee" to read "A \$3,000 fee".

Appendix A to Subpart B [Removed]

11. Appendix A to Subpart B—Selected Cash Flow Impacts—is removed.

§ 298.21 [Amended]

12. Section 298.21, Limits, is amended as follows:

a. By inserting in paragraph (b), before the third sentence, an additional sentence, reading as follows: "In addition, Guarantee Fees determined in accordance with the provisions of section 1104(e) of the Act shall be included in the items of Actual Cost."

b. By inserting in paragraph (d), Substantiation of Actual Cost, after the word "Vessel" each time it appears, the words "or Advanced Shipbuilding Technology or Modern Shipbuilding Technology", and by inserting at the end of the first sentence the words "or, alternatively, appropriate certification of such costs by an agent approved by the Secretary".

c. By removing paragraph (c)(9) and redesignating paragraphs (c)(10) through (c)(16) as paragraphs (c)(9) through (c)(15).

§ 298.23 [Amended]

13. Section 298.23, Refinancing, is amended in the penultimate sentence by adding after the word "part" and before the period, a comma followed by the words "including economic soundness, as may be necessary."

§ 298.25 [Removed and reserved]

14. Section 298.25, Financing repayment of construction-differential subsidy, is removed and reserved.

§ 298.28 [Amended]

15. Section 298.28, Advances, is amended by removing paragraphs (a)(1) through (a)(3) and (b), redesignating paragraph (c) as paragraph (b) and by removing the third sentence in paragraph (a), In general, and inserting, in its place, two new sentences reading as follows: "The applicant making the request for an advance shall demonstrate (with market and cash flow analysis and other projections) that its problems are of a short term duration (less than two years); with the help of an advance(s), the applicant would be assisted over its temporary difficulties; and there is adequate collateral for the advance. The advance will be repaid in