(5) Expenses for Vessel financing. For applications for Vessel financing, a detailed statement of estimated Vessel expenses including the following (where applicable):

(i) Estimated Vessel daily operating expenses, including wages, insurance, maintenance and repair, fuel, etc. and a detailed projection of anticipated costs associated with long term maintenance of the Vessel(s) such as drydocking and major mid-life overhauls, with a time frame for these events over the period of the Guarantee;

(ii) If applicable, a detailed breakdown of those expenses associated with the Vessel(s) voyage, such as port fees, agency fees and canal fees that are assessed as a result of the voyage; and

(iii) A detailed breakdown of annual capital costs and administrative expenses, segregated as to:
   (A) Interest on debt;
   (B) Principal amortization; and
   (C) Salaries and other administrative expenses (indicate basis of allocation).

(6) Expenses for a Shipyard Project. For applications for a Shipyard Project, a statement of estimated expenses related to the Shipyard Project, including the following (where applicable):

(i) A detailed breakdown of estimated daily operating expenses for the shipyard, such as wages, including staffing, and segregated as to straight-time, overtime and fringe benefits; utility costs; costs of stores, supplies, and equipment; maintenance and repair cost; insurance costs; and, other expenses (indicate items included); and

(ii) A detailed breakdown of annual capital costs and administrative expenses, segregated as to:
   (A) Interest on debt;
   (B) Principal amortization; and
   (C) Salaries and other administrative expenses (indicate basis of allocation).

(7) Forecast of Operations. Utilizing the revenues and expenses provided in paragraphs (c)(4), (5) and (6) of this section, you shall provide a forecast of operating cash flow, as defined in paragraph (d)(4) of this section, for the Title XI project for the first full year of operations and the next four years. The cash flow statements should be footnoted to explain the assumptions used.

(d) Objective Criteria. We must make a finding of economic soundness as to each project based on an assessment of the entire project. In order for the project to receive approval, we must determine that a project meets the following criteria:

(1) The projected long-term demand (equal to length of time that you request financing) for the particular Vessel(s) or new Shipyard Project to be financed must exceed the supply of similar vessels or new shipyard project in the applicable markets. We will determine the supply of similar vessels and similar shipyard projects based on:
   (i) Existing equipment,
   (ii) Similar vessels or new shipyard project under construction, and
   (iii) The projected need for new equipment in that particular segment of the maritime industry.

(2) We will base our determination of the project’s economic soundness on the following:
   (i) Conformity of your projections with our supply and demand analyses;
   (ii) Availability of charters, letters of intent, outstanding contractual commitments, contracts of affreightment, transportation agreements or similar agreements or undertakings; and
   (iii) Your existing market share compared with the market share necessary to meet projected revenues.

(3) In cases where market conditions are temporarily inadequate for you to service the Obligation indebtedness at the time of delivery or completion of the Shipyard Project, we may approve your application only if you have sufficient outside sources of cash flow to service your indebtedness during this temporary period.

(4) With respect to the asset for which Obligations are to be issued, the operating cash flow to Obligation debt service ratio over the term of the Guarantee must be in excess of 1:1. Operating cash flow means revenues less operating and capital expenses including taxes paid but exclusive of interest, accrued taxes, depreciation and amortization for the Title XI asset. Debt service means interest plus principal.

§ 298.15 Investigation fee.

(a) In general. Before we issue a Letter Commitment, you shall pay us an
investigation fee. The Letter Commit-
ment will state the fee which is based
on the formula in paragraph (b) of this
section.

(1) The investigation fee covers the
cost of the investigation of the project
described in the application and the
participants in the project, the app-
raisal of properties offered as secu-
ritv. Vessel inspection during construc-
tion, reconstruction, or reconditioning
(where applicable) and other adminis-
trative expenses.

(2) If, for any reason, we disapprove
the application, you shall pay one-half
of the investigation fees.

(b) Base Fee. (1) The investigation fee
shall be one-half (1⁄2) of one percent on
Obligations to be issued up to and in-
cluding $10,000,000, plus

(2) One-eighth (1⁄8) of one percent on
all Obligations to be issued in excess of
$10,000,000.

(c) Credit for filing fee. You will re-
ceive credit for the $5,000 filing fee that
you paid upon filing the original appli-
cation (described in §298.3) towards the
investigation fee.

§ 298.16 Substitution of participants.

(a) You may request our permission
to substitute participants to a Mort-
gage and/or Security Agreement in a fi-
nancing that is receiving assistance au-
thorized by Title XI of the Act.

(b) A non-refundable fee of $3,000 is
due, payable at the time of the request.
The fee defrays all costs of processing
and reviewing a joint application by a
mortgagor and/or Obligor and a pro-
posed transferee of a Vessel or Ship-
yard Project, which is security for
Title XI debt, if the proposed trans-
feree is to assume the Mortgage and/or
the Security Agreement.

§ 298.17 Evaluation of applications.

(a) In evaluating project applica-
tions, we shall also consider whether
the application provides for:

(1) The capability of the Vessel(s)
serving as a naval and military auxil-
ary in time of war or national emer-
gency.

(2) The financing of the Vessel(s)
within one year after delivery.

(3) The acquisition of Vessel(s) cur-
rently financed under Title XI by as-
sumption of the total obligation(s).

(4) The Guarantees extend for less
than the normal term for that class of
vessel.

(5) In the case of an Eligible Ship-
yard, the capability of the shipyard to
engage in naval vessel construction in
time of war or national emergency.

(6) In the case of Shipyard Project,
the Guarantees extend for less than the
technological life of the asset.

(b) In determining the amount of eq-
uity which you must provide, we will
consider, among other things, the fol-
lowing:

(1) Your financial strength;

(2) Adequacy of collateral; and

(3) The term of the Guarantees.

§ 298.18 Financing Shipyard Projects.

(a) Initial criteria. We may issue Guar-
antees to finance a Shipyard Project at
a General Shipyard Facility. We may
approve such Guarantees after we con-
side whether the Guarantees will re-
sult in shipyard modernization and
support increased productivity.

(b) Detailed statement. You must pro-
vide a detailed statement, with the
Guarantee application, which will pro-
vide the basis for our consideration.

(c) Required conditions. We shall ap-
prove your application for loan guaran-
tees under this section if we determine
the following:

(1) The term for such Guarantees will
not exceed the reasonable economic
useful life of the collective assets
which comprise this Shipyard Project;

(2) There is sufficient collateral to
secure the Guarantee; and

(3) Your application will not prevent
us from guaranteeing debt for a Ship-
yard Project that, in our sole opinion,
will serve a more desirable use of ap-
propriated funds. In making this deter-
mination, we will consider:

(i) The types of vessels which will be
built by the shipyard,

(ii) The productivity increases which
will be achieved,

(iii) The geographic location of the
shipyard,

(iv) The long-term viability of the
shipyard,

(v) The soundness of the financial
transaction;

(vi) Any financial impact on other
Title XI transactions, and