SUMMARY STATEMENT

ITEM NO.    SUBJECT:  Extension of Fastship Loan Guarantee

COMMITTEE:  Finance

COMMITTEE MEETING DATE:  July 16, 2008

BOARD ACTION DATE:  August 20, 2008

PROPOSAL:  That the Board authorizes staff to extend the term of the Loan Guarantee provided by DRPA to Citizens Bank (originally to Mellon Bank) on behalf of Fastship, Inc.

PURPOSE:  To continue the loan guarantee in order that Citizens Bank will extend the term of the underlying loan.

BACKGROUND:  In 1994 the DRPA Board authorized a $7.0 million investment in the FastShip project.  In 1999 DRPA was asked to guarantee a $2.0 line of credit that Mellon Bank would extend to Fastship in order that Fastship could continue its development efforts and the DRPA Board agreed to that guarantee (DRPA 99-050).  In 2001 the Line of Credit and the guarantee were increased to a total of $3.5 million (DRPA 01-065).  Citizens Bank acquired the loan from Mellon after 2001.  In 2006 FastShip asked Citizens Bank to extend the loan for a further year, and DRPA agreed to that extension by Board action at its September 19, 2007 meeting.  The loan guarantee is again up for extension for a further year and Citizens Bank again requires DRPA agreement to the extension.  In order to increase efficiency, we are asking that the Board authorize the CEO, with the approval of the Chair and Vice Chair, to extend the guarantee for up to three, one year periods including the current extension.  The CEO will report to the Board following each such extension, or with any other developments.

SUMMARY:  Amount:  $3.5 million (Loan Guarantee)
Source of Funds:  General Funds
Capital Project #:  N/A
Operating Budget:
Master Plan Status:  FastShip Project included
Other Fund Sources:  None
Duration of Contract:  1 year (two further extensions of 1 year each permitted hereunder)
Other Parties Involved:  FastShip, Inc.; Citizens Bank
RESOLUTION

RESOLVED: That staff be and hereby is directed to finalize the terms of an extension of the existing DRPA Loan Guarantee with Citizens Bank in respect of a loan to FastShip, Inc.; and be it

FURTHER RESOLVED: That the Chief Executive Officer, with the approval of the Chair and Vice Chair, shall have the authority to extend the said loan guarantee for up to three, one year periods including the current extension provided that the Chief Executive Officer shall report to the Board following any subsequent extension; and be it

FURTHER RESOLVED: The Chair, Vice Chair and the Chief Executive Officer must approve and are hereby authorized to approve and execute all necessary agreements, contracts, or other documents on behalf of the DRPA. If such agreements, contracts, or other documents have been approved by the Chair, Vice Chair and Chief Executive Officer and if thereafter either the Chair or Vice Chair is absent or unavailable, the remaining Officer may execute the said document(s) on behalf of DRPA along with the Chief Executive Officer. If both the Chair and Vice Chair are absent or unavailable, and if it is necessary to execute the said document(s) while they are absent or unavailable, then the Chief Executive Officer shall execute such documents on behalf of DRPA.

SUMMARY:

Amount: $3.5 million
Source of Funds: General Funds
Capital Project #: N/A
Operating Budget: FastShip Project included
Master Plan Status: None
Other Fund Sources: None
Duration of Contract: 1 year (two further extensions of 1 year each permitted hereunder)