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July 9, 2014

Luly Massaro, Clerk
Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, RI 02888

Re: A & R Marine Corp. – Application to Division for Expedited Authorization Pursuant to R.I.G.L. § 39-3-15 *et seq.* to incur \$1 million of debt with BankRI – Docket No. D-14-__

Dear Luly:

As you know, this office represents A & R Marine Corp. (A & R). Enclosed are the original and five (5) copies of the following:

1. An Application of A & R for expedited Division authorization pursuant to R.I.G.L. § 39-3-15 *et seq.* to incur \$1 million of debt with BankRI. The notarized Application has been signed by the President of A & R, Stephen Antaya.
2. The testimony of David Bebyn, CPA, in support of this Application. His testimony contains the information required by R.I.G.L. § 39-3-17 and Rule 14 of the Rules of Practice and Procedure of the Division.
3. A draft Notice of Hearing as required by Division Rule 14(d). Please review it and let me know if it is acceptable. Please also let me know if you want me to publish it, or if you would prefer to publish it yourself.

It would be appreciated if you could have this matter set for hearing as soon as possible, because A & R needs to close this loan before the end of July. A & R needs to order materials and build a new dock on Prudence Island by September 15, 2014 in order to commence service.

I am sending a copy of the Application, together with the supporting testimony, to Leo Wold, Esq. at the Attorney General's office.

Luly Massaro, Clerk
July 9, 2014
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If you have any questions, please feel free to call.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mike", with a stylized flourish extending to the right.

Michael R. McElroy

MRMc:tmg

cc: Leo Wold, Esq.
David Bebyn, CPA
Stephen Antaya

A & R Marine Corp/BankRI Loan/Massaro

Schacht & McElroy

STATE OF RHODE ISLAND
DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN RE: A & R MARINE CORP. : DOCKET No. D-14 - ____

**APPLICATION FOR EXPEDITED AUTHORIZATION PURSUANT TO
R.I.G.L. § 39-3-15 ET SEQ. TO INCUR \$1 MILLION OF DEBT WITH BANKRI**

NOW COMES A & R Marine Corp. (A & R), pursuant to R.I.G.L. § 39-3-15, § 39-3-17, and Rule 14 of the Rules of Practice and Procedure of the Division of Public Utilities and Carriers (Division), and requests expedited authorization to incur \$1 million of debt with BankRI on the terms and conditions set forth in the testimony of David Bebyn, CPA, and the attached SBA Authorization.

The information required by R.I.G.L. § 39-3-17 and Rule 14 of the Rules of Practice and Procedure is incorporated into the written testimony of David Bebyn, CPA.

WHEREFORE A & R respectfully requests that the Division approve the financing with BankRI on an expedited basis because the loan must close by the end of July in order for A & R to order materials and build the new dock on Prudence Island in time to begin the ferry run on or about September 15, 2014.

A & R Marine Corp.

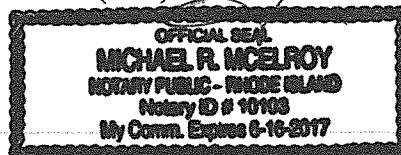
By: _____

Stephen Antaya
President

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

Sworn to, subscribed, and verified before me this 8th day of July, 2014, by Stephen Antaya, President of A & R Marine Corp.

Notary Public (Seal)



**FINANCE TESTIMONY
of
DAVID G. BEBYN CPA**

**For
A&R MARINE CORP.**

**Before
RHODE ISLAND DIVISION OF
PUBLIC UTILITIES AND CARRIERS**

Docket No. D-14-_____

July 2014

1 **Q. Will you please provide your full name and your employer for the record?**

2 A. My name is David Bebyn, CPA. I am the President of B&E Consulting LLC.

4 **Q. Mr. Bebyn, have you testified as an expert accounting witness prior to this docket?**

5 A. Yes. I have provided testimony on rate related matters before utility commissions in Rhode
6 Island and Connecticut. Regarding the Rhode Island Public Utilities Commission, I have
7 prepared testimony and testified in the Pawtucket Water Supply Board's (PWSB) last four rate
8 filings, Dockets #3378, #3497, #3674 & #3945, and the Providence Water Supply Board's rate
9 filing Docket #3832 in support of the adjusted test year. In addition to adjusted test year
10 testimony, I also prepared testimony in Interstate Navigation Company's general rate filing
11 Docket #4373 in support of the adjusted test year and rate design. I prepared testimony and
12 testified on behalf of the Woonsocket Water Department's last two rate filing Dockets #3800 and
13 #4320 in support of rate design. I have also prepared testimony on behalf of the Pascoag Utility
14 District in Docket #4341 in support of the rate year and rate design.

16 **Q. Mr. Bebyn, what is the purpose of your testimony?**

17 A. As part of this testimony, I will provide some background information on the proposed new
18 \$1 million debt relating generally to A&R Marine Corp's (A&R) proposed dock improvements,
19 equipment purchases and working capital infusion. I will also provide the reasoning behind
20 A&R's selection of the financing terms for the \$1 million loan. Lastly, I will present the
21 information required by the Rules of the Division of Public Utilities and Carriers (Division), so
22 that the Division can review and evaluate the proposed financing package.

24 **Q. How will the proceeds of this borrowing be used?**

25 A. The proceeds of the \$1,000,000 loan will generally be used as follows:

Dock Improvements	\$700,000.00
Equipment Purchases	200,000.00
Working Capital	<u>100,000.00</u>
Total	<u>\$1,000,000.00</u>

1 **Q. Mr. Bebyn, what repayment terms are included in the U.S. Small Business**

2 **Administration (SBA) loan authorization to BankRI attached hereto as Schedule DG-B-2?**

3 A. The loan term is 10 years and 3 months from the date of the loan. There will be no balloon
4 payment at the end of 10 years and 3 months period. The debt service on the loan is designed to
5 include 3 payments of interest only on the disbursed principal balance beginning one month from
6 the date of the note. Afterwards, starting with the fourth payment and every month thereafter,
7 the payments will include interest on the disbursed principal balance plus a fixed monthly
8 principal of \$8,330. The debt service on the loan includes annual payments that range from a
9 low of approximately \$126,000 for the first 12 months to a high of approximately \$146,000 for
10 the second 12 months from the date of the note.

11
12 **Q. What interest rates will be used for the loan?**

13 A. The initial interest rate is 5.25% per year which reflects the Prime Rate in effect on the first
14 business day of the month which the SBA received the loan application, plus 2.00%. The
15 interest rate will be adjusted every 60 months (the "change period") to reflect the Prime Rate in
16 effect on the first calendar day of the change period as published in the *Wall Street Journal* plus
17 2.00%

18
19 **Q. What other terms are in the commitment letter?**

20 A. Other terms are as follows:

- 21
22 1. The collateral for the loan is a first preferred ship's mortgage position on the vessel
23 recorded with the US Coast Guard named *Herbert C. Bonner* owned by the regulated
24 utility A & R Marine Corp., and the vessel recorded with the US Coast Guard named
25 Chibachuweset, owned by the unregulated company A & R Marine Construction, Inc.

26
27 A&R will also give BankRI a security interest in its business assets, a collateral
28 assignment of its licenses, contracts and permits, and a conditional assignment of leases.

29
30 A & R must demonstrate that at least \$700,000 of cash has been invested into the
31 business.

1 Lastly, the owner of A&R, Stephen Antaya, and his wife, Donna Antaya, will provide
2 personal guarantees.

- 3
4 2. There are no prepayment penalties for the loan. However, there are late charges of up to
5 5% if a payment on the note is more than 10 days late.

6
7 **Q. Is it your professional opinion that the terms of the borrowing are in the best interest**
8 **of A&R and its ratepayers?**

9 A. Yes.

10
11 **Q. What is the current capital structure of the company?**

12 A. Schedule DGB-1 shows that as of July 3, 2014, the Company's total capitalization was
13 composed of 100.0 percent equity. Prior to the \$1,000,000 loan A&R is requesting, A & R had
14 no debt.

15
16 **Q. What impact will the \$1,000,000 issuance have on the capital structure of A&R?**

17 A. Schedule DGB-1 shows that after the \$1 million loan, A&R's total capitalization will be
18 composed of 54.94 percent debt and 45.06 percent common equity.

19
20 **Q. Is there an impact of this financing on the debt/equity ratio or any of the other**
21 **information required by the Division's rules?**

22 A. Yes. As mentioned above, on July 3, 2014, A&R had total debt of \$0 to equity of \$820,061.
23 The addition of this borrowing in the amount of \$1,000,000 changes the debt/equity ratio to
24 about 1.22 to 1 with debt of \$1,000,000 and equity of \$820,061. Ideally for most business a
25 ration of less than 1 to 1 is very good. Given that A&R is a capital intensive utility; in my
26 professional opinion, a 1.22 to 1 debt equity ratio is still good.

27
28 **Q. Will A&R require an increase in rates to pay the debt service on this new debt?**

29 A. Yes. However, the overall impact on rates is difficult to determine at this time. A&R's
30 initial PUC-approved rates are the same rates as Prudence Ferry, Inc., which have not changed in
31 about 20 years. This was done because A&R did not have test year expenses upon which to base

1 rates. Since A&R has still not begun operations they are still gathering data to provide more
2 accurate ridership and proforma expenses, after which A & R will file for an appropriate rate
3 increase.
4

5 **Q. Is there a need for expedited approval?**

6 A. Yes. A&R must have approval of the financing in place so that the loan can close before the
7 end of July, 2014. If the loan does not close in July, A & R may not be able to do the work
8 necessary to commence ferry service to Prudence Island on September 15, 2014.
9

10 **Q. Does that conclude your testimony?**

11 A. Yes.

Capital Structure
A&R Marine Corp

Schedule DGB-1

Proposed Capital Structure

	<u>As of July 3, 2014</u>			<u>After Financing</u>	
	<u>Balance</u>	<u>Ratio</u>	<u>Financing</u>	<u>Balance</u>	<u>Ratio</u>
Long-term Debt	\$ -	0.00%	\$ 1,000,000	\$ 1,000,000	54.94%
Short-term Debt	-	0.00%	-	-	0.00%
Common Equity	820,061	100.00%	-	820,061	45.06%
Total Capital structure	<u>\$ 820,061</u>	<u>100.00%</u>	<u>\$ 1,000,000</u>	<u>\$ 1,820,061</u>	<u>100.00%</u>

Common Equity

Common Stock	-
Other Paid-in Capital	820,061
Treasury Stock	-
Equity (no gain or loss in interim year)	-
Total	<u>820,061</u>



U.S. Small Business Administration
AUTHORIZATION
(SBA 7(A) GUARANTEED LOAN)

SBA Loan #	69136250-02
SBA Loan Name	A & R Marine Corp
Approval Date	June 23, 2014

Lender:

BankRI
 One Turks Head Place
 Providence, RI 02903

U. S. Small Business Administration (SBA):

Rhode Island District Office
 380 Westminster Mall, 5th Floor
 Providence, RI 02903

SBA approves, under Section 7(a) of the Small Business Act as amended, Lender's application, received June 23, 2014, for SBA to guarantee 75.00% of a loan ("Loan") in the amount of \$1,000,000.00 to assist:

Borrower:

1. A & R Marine Corp
 894 Neck Farm Road
 Prudence Island, RI 02872
2. A & R Marine Construction, Inc.
 894 Neck Farm Road
 Prudence Island, RI 02872

All requirements in the Authorization which refer to Borrower also apply to any Co-Borrower.

A. THE GUARANTEE FEE IS \$26,250.00.

Lender must pay the guarantee fee within 90 days of the approval date of this Authorization. Failure to timely pay the guarantee fee will result in cancellation of the SBA guarantee. The 90-day deadline may not be extended. Lenders are required to make their payments electronically. Payment can be made at www.pay.gov or by ACH if they have previously enrolled with the SBA. No part of the guarantee fee is refundable if Lender has made any disbursement. Lender may collect this fee from Borrower after initial disbursement of Loan, except when an escrow closing is used, Lender may not collect the fee until all Loan funds have been disbursed to the Borrower from the escrow account. Borrower may use Loan proceeds to reimburse Lender for the guarantee fee.

For loans of \$150,000 or less, Lender may retain 25% of the guarantee fee but must remit the remainder to SBA.

B. ONGOING SERVICING FEE

1. Lender agrees to pay SBA an ongoing fee equal to 0.550 of one percent per year of the guaranteed portion of the outstanding balance.
2. Lender may not charge or otherwise pass through this fee to Borrower.

C. IT IS LENDER'S SOLE RESPONSIBILITY TO:

1. Close the Loan in accordance with the terms and conditions of this Authorization.
2. Obtain valid and enforceable Loan documents, including obtaining the signature or written consent of any obligor's spouse if such consent or signature is necessary to bind the marital community or create a valid lien on marital property.
3. Retain all Loan closing documents. Lender must submit these documents, along with other required documents, to SBA for review if Lender requests SBA to honor its guarantee on the Loan, or at any time SBA requests the documents for review.

D. REQUIRED FORMS

1. Lender may use its own forms except as otherwise instructed in this Authorization. Lender must use the following SBA forms for the Loan:
 - SBA Form 147, Note
 - SBA Form 1050, Settlement Sheet
 - SBA Form 159 (7(a)), Compensation Agreement, for each required agent
 - SBA Form 722, Equal Opportunity Poster
 - SBA Form 148, Guarantee
 - SBA Form 601, Agreement of Compliance
2. Lender may use computer-generated versions of mandatory SBA Forms, as long as the text is identical.

E. CONTINGENCIES—SBA issues this Authorization in reliance on representations in the Loan application, including supporting documents. The guarantee is contingent upon Lender:

1. Having and complying with a valid SBA Loan Guarantee Agreement (SBA Form 750 or SBA Form 750B for short-term loans) and any required supplemental guarantee agreements, between Lender and SBA;
2. Having paid the full guarantee fee in the time and manner required by this Authorization and the SBA Standard Operating Procedures (SOP);
3. Complying with the current SOP;
4. Completing disbursement no later than 12 months from the approval date of this Authorization, unless the disbursement period is extended by proper SBA procedures. (The final disbursement period cannot exceed 48 months from the approval date of this Authorization. Any undisbursed balance remaining after 48 months will be automatically cancelled by SBA);
5. Having no evidence since the date of the Loan application, or since any preceding disbursement, of any unremedied adverse change in the financial condition, organization, management, operation, or assets of Borrower or Operating Company which would warrant withholding or not making any further disbursement; and,
6. Satisfying all of the conditions in this Authorization.

F. NOTE TERMS:

1. **Maturity:** This Note will mature in 10 years and 3 months from date of Note.

2. **Repayment Terms:**

Lender must insert onto SBA Note, Form 147, to be executed by Borrower, the following terms, without modification. Lender must complete all blank terms on the Note at time of closing:

The interest rate on this Note will fluctuate. The initial interest rate is 5.25% per year. This initial rate is the Prime Rate in effect on the first business day of the month in which SBA received the loan application, plus 2.00%. The initial interest rate must remain in effect until the first change period begins unless reduced in accordance with SOP 50 10.

Borrower must pay a total of 3 payments of interest only on the disbursed principal balance beginning one month from the month this Note is dated and every month thereafter; payments must be made on the same day as the date of this Note in the months they are due.

Borrower must pay interest on the disbursed principal balance, plus principal of \$8,333.00 every month, beginning four months from the month this Note is dated; payments must be made on the same day as the date of this Note in the months they are due.

Lender will apply each installment payment first to pay interest accrued to the day Lender receives the payment, then to bring principal current, then to pay any late fees, and will apply any remaining balance to reduce principal.

The interest rate will be adjusted every 60 months (the "change period").

The "Prime Rate" is the Prime Rate in effect on the first business day of the month (as published in the Wall Street Journal newspaper) in which SBA received the application, or any interest rate change occurs. Base Rates will be rounded to two decimal places with .004 being rounded down and .005 being rounded up.

The adjusted interest rate will be 2.00% above the Prime Rate. Lender will adjust the interest rate on the first calendar day of each change period. The change in interest rate is effective on that day whether or not Lender gives Borrower notice of the change.

The spread as identified in the Note may not be changed during the life of the Loan without the written agreement of the Borrower.

For variable rate loans, the interest rate adjustment period may not be changed without the written consent of the Borrower.

Lender must adjust the payment amount at least annually as needed to amortize principal over the remaining term of the note.

If SBA purchases the guaranteed portion of the unpaid principal balance, the interest rate becomes fixed at the rate in effect at the time of the earliest uncured payment default. If there is no uncured payment default, the rate becomes fixed at the rate in effect at the time of purchase.

Loan Prepayment:

Notwithstanding any provision in this Note to the contrary:

Borrower may prepay this Note. Borrower may prepay 20 percent or less of the unpaid principal balance at any time without notice. If Borrower prepays more than 20 percent and the Loan has been sold on the secondary market, Borrower must:

- a. Give Lender written notice;
- b. Pay all accrued interest; and
- c. If the prepayment is received less than 21 days from the date Lender receives the notice, pay an amount equal to 21 days' interest from the date lender receives the notice, less any interest accrued during the 21 days and paid under subparagraph b., above.

If Borrower does not prepay within 30 days from the date Lender receives the notice, Borrower must give Lender a new notice.

All remaining principal and accrued interest is due and payable 10 years and 3 months from date of Note.

Late Charge: If a payment on this Note is more than 10 days late, Lender may charge Borrower a late fee of up to 5.00% of the unpaid portion of the regularly scheduled payment.

G. USE OF PROCEEDS

1. \$700,000.00 to make leasehold improvements to the dock located at 0 Narragansett Avenue, Prudence Island, RI . Construction financing guaranteed by SBA.
2. \$200,000.00 to purchase equipment.
3. \$100,000.00 for working capital.

All amounts listed above are approximate. Lender may not disburse Loan proceeds solely to pay the guarantee fee. Lender may disburse to Borrower, as working capital only, funds not spent for the listed purposes as long as those funds do not exceed 10% of the specific purpose authorized or \$10,000.00, whichever is less. An Eligible Passive Company may not receive working capital funds.

The loan must be made for a sound business purpose and must benefit the small business, and one 7(a) loan may not be split into two 7(a) loans merely to benefit the Lender. 13 CFR 120.120 and 120.130(e)

Lender must document that Borrower used the loan proceeds for the purposes stated in this Authorization. Lender and Borrower must complete and sign SBA Form 1050 at the time of first disbursement. Lender must document the first and all subsequent disbursements by attaching required documentation to the original SBA Form 1050 and must maintain the documentation in the Loan file, following procedures described in SOP 50 10.

H. COLLATERAL CONDITIONS

Lender must obtain a lien on 100% of the interests in the following collateral and properly perfect all lien positions:

1. **First Perfected Security Interest, subject to no other liens, in the following personal property (including any proceeds and products), whether now owned or later acquired, wherever located:**
Equipment; Inventory; Accounts; Instruments; Chattel Paper; General Intangibles;
 - a. Lender must obtain a written agreement from all Lessors (including sublessors) agreeing to: (1) Subordinate to Lender Lessor's interest, if any, in this property; (2) Provide Lender written notice of default and reasonable opportunity to cure the default; and (3) Allow Lender the right to take possession and dispose of or remove the collateral.
 - b. Lender must obtain a list of all equipment and fixtures that are collateral for the Loan. For items with a unit value of \$5,000 or more, the list must include a description and serial number, if applicable.
 - c. Lender must obtain an appropriate Uniform Commercial Code lien search evidencing all required lien positions. If UCC search is not available, another type of lien search may be substituted.
2. **First Preferred Ship's Mortgage** recorded with the U.S. Coast Guard against the vessel named Herbert C Bonner, and noted on the vessels' official log.
 - a. Subject to no other liens.
 - b. Lender must verify lien position by Certificate issued by U.S. Coast Guard.
3. **First Preferred Ship's Mortgage** recorded with the U.S. Coast Guard against the vessel named TBD (LCM 8 1985 Hull #8520 built by Marinett Marine), and noted on the vessels' official log.
 - a. Subject to no other liens.
 - b. Lender must verify lien position by Certificate issued by U.S. Coast Guard.
4. **Guarantee on SBA Form 148**, by Stephen and Donna Antaya, resident in Rhode Island.

The following language must appear in all lien instruments including Mortgages, Deeds of Trust, and Security Agreements:

"The Loan secured by this lien was made under a United States Small Business Administration (SBA) nationwide program which uses tax dollars to assist small business owners. If the United States is seeking to enforce this document, then under SBA regulations:

- a) *When SBA is the holder of the Note, this document and all documents evidencing or securing this Loan will be construed in accordance with federal law.*
- b) *Lender or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. No Borrower or Guarantor may claim or assert against SBA any local or state law to deny any obligation of Borrower, or defeat any claim of SBA with respect to this Loan.*

Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument."

I. ADDITIONAL CONDITIONS

1. Insurance Requirements

Prior to disbursement, Lender must require Borrower to obtain the following insurance coverage and maintain this coverage for the life of Loan:

- a. **Flood Insurance.** Based on the Standard Flood Hazard Determination (FEMA Form 81-93):
- (1) If any portion of a building that is collateral for the Loan is located in a special flood hazard area, Lender must require Borrower to obtain flood insurance for the building under the NFIP.
 - (2) If any equipment, fixtures, or inventory that is collateral for the loan ("Personal Property Collateral") is in a building any portion of which is located in a special flood hazard area and that building is collateral for the Loan, Lender must require Borrower to also obtain flood insurance for the Personal Property Collateral under the NFIP.
 - (3) If any equipment, fixtures, or inventory that is collateral for the loan ("Personal Property Collateral") is in a building any portion of which is located in a special flood hazard area and that building is not collateral for the Loan, Lender must require Borrower to obtain available flood insurance for the Personal Property Collateral. Lender may waive SBA's requirement for flood insurance for the Personal Property Collateral when the building is not collateral for the Loan, but only if Lender, using prudent lending standards, puts a written determination into the loan file that flood insurance is either not available or not economically feasible.

Insurance coverage must be in amounts equal to the lesser of the insurable value of the property or the maximum limit of coverage available. Insurance coverage must contain a MORTGAGEE CLAUSE/LENDER'S LOSS PAYABLE CLAUSE (or substantial equivalent) in favor of Lender. This clause must provide that any action or failure to act by the debtor or owner of the insured property will not invalidate the interest of Lender and SBA. (Borrower will be ineligible for any future SBA disaster assistance or business loan assistance if Borrower does not maintain any required flood insurance for the entire term of the Loan.)

- b. **Personal Property Hazard Insurance** coverage on all equipment, fixtures or inventory that is collateral for the Loan, in the amount of full replacement costs. If full replacement cost insurance is not available, coverage must be for maximum insurable value. Insurance coverage must contain a LENDER'S LOSS PAYABLE CLAUSE in favor of Lender. This clause must provide that any action or failure to act by the debtor or owner of the insured property will not invalidate the interest of Lender. The policy or endorsements must provide for at least 10 days prior written notice to Lender of policy cancellation.
- c. **Full Marine Insurance** coverage in the amount of the full insurable value on the following vessel(s): Herbert C Bonner, and a TBD vessel which is a LCM 8 1985 Hull # 8520; with Lender designated as "Mortgagee". The policy must contain a Mortgagee clause providing that the interest of Lender will not be invalidated by any: (1) act, omission, or negligence of the mortgagor, owner, master, agent or crew of the insured vessel; (2) failure to comply with any warranty or condition out of mortgagee's control; or (3) change in title, ownership or management of the vessel. The policy must include Protection and Indemnity, Breach of Warranty, and Pollution coverage. The policy or endorsements must provide for at least 10 days prior written notice to Lender of policy cancellation.
- d. **Liability Insurance** in an amount and with an insurance company satisfactory to Lender.
- e. **Workers' Compensation Insurance** in an amount meeting state law requirements and with an insurance company satisfactory to Lender.

2. Borrower, Guarantor and Operating Company Documents

- a. Prior to closing, Lender must obtain from Borrower, Guarantor and Operating Company a current copy of each of the following as appropriate:
- (1) **Corporate Documents**—Articles or Certificate of Incorporation (with amendments), any By-laws, Certificate of Good Standing (or equivalent), Corporate Borrowing Resolution, and, if a foreign corporation, current authority to do business within this state.
 - (2) **Limited Liability Company (LLC) Documents**—Articles of Organization (with amendments), Fact Statement or Certificate of Existence, Operating Agreement, Borrowing Resolution, and evidence of registration with the appropriate authority.
 - (3) **General Partnership Documents**—Partnership Agreement, Certificate as to Partners, and Certificate of Partnership or Good Standing (or equivalent), as applicable.
 - (4) **Limited Partnership Documents**—Partnership Agreement, Certificate as to Partners, and Certificate of Partnership or Good Standing (or equivalent), as applicable, Certificate of Limited Partnership, and evidence of registration with the appropriate authority.
 - (5) **Limited Liability Partnership (LLP) Documents**—Partnership Agreement, Certificate as to Partners, Certificate of Partnership or Good Standing (or equivalent) as applicable, and evidence of registration with the appropriate authority.
 - (6) **Trustee Certification**—A Certificate from the trustee warranting that:
 - (a) The trust will not be revoked or substantially amended for the term of the Loan without the consent of SBA;
 - (b) The trustee has authority to act;
 - (c) The trust has the authority to borrow funds, guarantee loans, and pledge trust assets;
 - (d) If the trust is an Eligible Passive Company, the trustee has authority to lease the property to the Operating Company;
 - (e) There is nothing in the trust agreement that would prevent Lender from realizing on any security interest in trust assets;
 - (f) The trust agreement has specific language confirming the above; and
 - (g) The trustee has provided and will continue to provide SBA with a true and complete list of all trustors and donors.
 - (7) **Trade Name**—Documentation that Borrower has complied with state requirements for registration of Borrower's or Operating Company's trade name (or fictitious name), if one is used.
- b. Prior to closing, Lender must obtain from Borrower and Operating Company:
- (1) **Ownership**—Evidence that ownership and management have not changed without Lender's approval since the application was submitted.

3. Operating Information

Prior to any disbursement of Loan proceeds, Lender must obtain:

- a. **Verification of Financial Information**—Lender must submit IRS Form 4506-T (SBA version) to the Internal Revenue Service to obtain federal income tax information on Borrower, or the Operating Company if the Borrower is an EPC, for the last 3 years (unless Borrower or Operating Company is a start-up business). If the business has been operating for less than 3 years, lender must obtain the information for all years in operation. This requirement does not include tax information for the most recent fiscal year if the fiscal year-end is within 6 months of the date SBA received the application. If the applicant has filed an extension for the most recent fiscal year, Lender must obtain a copy of the extension along with evidence of payment of estimated taxes. Lender must compare the tax data received from the IRS with the financial data or tax returns submitted with the Loan application, and relied upon in approving the Loan. Borrower must resolve any significant differences to the satisfaction of Lender and SBA. Failure to resolve differences may result in cancellation of the Loan.

If the Loan involves a change of ownership, Lender must verify financial information provided by the seller of the business in the same manner as above.

If the IRS responds and the transcript reflects "Record not Found" for any tax year, Lender must follow the procedures detailed in SOP 50 10 to determine what steps must be taken to satisfy the SBA tax verification requirement.

If Lender does not receive a response from the IRS or copy of the tax transcript within 10 business days of submitting the IRS Form 4506-T, then Lender may close and disburse the loan provided that Lender sends a second request following precisely the procedures detailed in SOP 50 10 and Lender performs the verification and resolves any significant differences discovered, even if the Loan is fully disbursed.

- b. **Authority to Conduct Business**—Evidence that the Borrower and Operating Company have an Employer Identification Number and all insurance, licenses, permits and other approvals necessary to lawfully operate the business.
- c. **Flood Hazard Determination**—A completed Standard Flood Hazard Determination (FEMA Form 81-93).
- d. **Lease**—Current lease(s) on all business premises where collateral is located with term, including options, at least as long as the term of the Loan.

4. Injection

Lender must obtain evidence that prior to disbursement:

- a. **Cash Injection**—At least \$700,000.00 cash has been injected into the business as equity capital. This cash is for Equity injection into project.

5. Construction Provisions

- a. **Building Standards**—In the construction of a new building or an addition to an existing building, the construction must conform with the "National Earthquake Hazards Reduction Program Recommended Provisions for the Development of Seismic Regulations for New Buildings" (NEHRP), or a building code that SBA has identified as having substantially equivalent provisions. Lender must obtain from Borrower evidence of compliance with these requirements. Examples of evidence include a certificate issued by a licensed building architect, construction engineer or similar professional, or a letter from a state or local government agency stating that an occupancy permit is required and that the local building codes upon which the permit is based include the Seismic standards.

- b. Lender may charge Borrower a one-time fee not to exceed 2% of the portion of the Loan designated for construction. The actual fee must not exceed the cost of the extra service.
- c. Prior to closing, if an "as completed" appraisal was obtained prior to construction, Lender must obtain a statement from the appraiser after construction is completed that the building was built with only minor deviations (if any) from the plans and specifications upon which the original estimate of value was based.

If the SBA guaranteed loan was used to cover the construction period, prior to closing Lender must notify the appropriate SBA CLSC of any deviation(s) and work with the SBA CLSC to determine an appropriate course of action, including securing additional collateral. Lender's notification to SBA must comply with SOP 50 10.

If the appraiser is unable to issue a statement that the building was built with only minor deviations (if any) from the plans and specifications upon which the original estimate of value was based, but is able to provide a new appraisal demonstrating that the market value meets or exceeds the original estimate of value, then no additional action by Lender is necessary.

- d. Prior to the commencement of any construction, Lender must obtain from Borrower:
 - (1) **Bonds**—Evidence that the contractor has furnished a 100% performance bond and labor and materials payment bond. Only a corporate surety approved by the Treasury Department using an American Institute of Architect's form or comparable coverage may issue these bonds. Only Borrower may be named as obligee on the bonds.
 - (2) **Insurance**—Evidence that contractor carries appropriate Builder's Risk and Worker's Compensation Insurance.
 - (3) **Injection**—Evidence that Borrower has injected the required funds into the project prior to disbursement of the Loan, if Borrower is injecting funds into the construction project.
 - (4) **Plans and Specifications**—Final plans and specifications for Lender review.
 - (5) **Construction Contract**—One (1) copy of a Construction Contract with an acceptable contractor at a specified price not to exceed \$750,000.00. The contract must include an agreement that Borrower will not order or permit any material changes in the approved plans and specifications without prior written consent of Lender and the surety providing the required bonds.
- e. **Lender must:**
 - (1) **Cost Overruns**—Obtain evidence of Borrower's ability to pay cost overruns or additional construction financing expenses prior to approving any contract modification. Lender and SBA are not obligated to increase the loan to cover cost overruns.
 - (2) **Inspection**—Make interim and final inspections to determine that construction conforms to the plans and specifications.
 - (3) **Codes and Permits**—Obtain evidence that the building, when completed, will comply with all state and local building and zoning codes, and applicable licensing and permit requirements.
 - (4) **Compliance Form**—Obtain SBA Form 601, Applicant's Agreement of Compliance.
 - (5) **Lien Waivers**—Obtain lien waivers or releases from all materialmen, contractors, and subcontractors involved in the construction.
 - (6) **Construction Safeguards**—Take all normal other construction loan safeguards appropriate for the Loan.

6. Certifications and Agreements

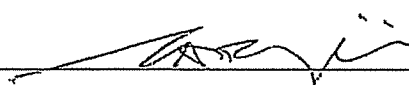
- a. Prior to disbursement, Lender must require Borrower and Operating Company to certify that:
- (1) **Receipt of Authorization**—Borrower and Operating Company have received a copy of this Authorization from Lender, and acknowledge that:
 - (a) The Authorization is not a commitment by Lender to make a loan to Borrower;
 - (b) The Authorization is between Lender and SBA and creates no third party rights or benefits to Borrower;
 - (c) The Note will require Borrower to give Lender prior notice of intent to prepay.
 - (d) If Borrower defaults on Loan, SBA may be required to pay Lender under the SBA guarantee. SBA may then seek recovery of these funds from Borrower. Under SBA regulations, 13 CFR Part 101, Borrower may not claim or assert against SBA any immunities or defenses available under local law to defeat, modify or otherwise limit Borrower's obligation to repay to SBA any funds advanced by Lender to Borrower.
 - (e) Payments by SBA to Lender under SBA's guarantee will not apply to the Loan account of Borrower, or diminish the indebtedness of Borrower under the Note or the obligations of any personal guarantor of the Note.
 - (2) There has been no adverse change in Borrower's (and Operating Company) financial condition, organization, operations, or fixed assets since the date the Loan application was signed.
 - (3) **Child Support**—No principal who owns at least 50% of the ownership or voting interest of the company is delinquent more than 60 days under the terms of any (a) administrative order, (b) court order, or (c) repayment agreement requiring payment of child support.
 - (4) **Current Taxes**—Borrower and Operating Company are current (or will be current with any loan proceeds specified for eligible tax payments) on all federal, state, and local taxes, including but not limited to income taxes, payroll taxes, real estate taxes, and sales taxes.
 - (5) **Environmental**—For any real estate pledged as collateral for the Loan or where the Borrower or Operating Company are conducting business operations (collectively "the Property"):
 - (a) At the time Borrower and Operating Company submitted the Loan application, Borrower and Operating Company were in compliance with all local, state, and federal environmental laws and regulations pertaining to reporting or clean-up of any hazardous substance, hazardous waste, petroleum product, or any other pollutant regulated by state or federal law as hazardous to the environment (Contaminant), and regarding any permits needed for the creation, storage, transportation or disposal of any Contaminant;
 - (b) Borrower and Operating Company will continue to comply with these laws and regulations;
 - (c) Borrower and Operating Company, and all of its principals, have no knowledge of the actual or potential existence of any Contaminant that exists on, at, or under the Property, including groundwater, other than what was disclosed in connection with the Environmental Investigation of the Property;
 - (d) Until full repayment of the Loan, Borrower and Operating Company will promptly notify Lender and SBA if it knows or suspects that there has been, or may have been, a release of a Contaminant in, at, or under the Property, including groundwater, or if Borrower and Operating Company or such Property are

subject to any investigation or enforcement action by any federal, state, or local environmental agency (Agency) pertaining to any Contaminant on, at, or under such Property, including groundwater;

- (e) As to any Property owned by Borrower and Operating Company, Borrower and Operating Company indemnifies, and agrees to defend and hold harmless, Lender and SBA, and any assigns or successors in interest which take title to the Property, from and against all liabilities, damages, fees, penalties or losses arising out of any demand, claim or suit by any Agency or any other party relating to any Contaminant found on, at, or under the Property, including groundwater, regardless of whether such Contaminant resulted from Borrower's or Operating Company's operations. (Lender or SBA may require Borrower or Operating Company to execute a separate indemnification agreement).
- b. Prior to disbursement, Lender must require Borrower and Operating Company to certify that they will:
- (1) **Reimbursable Expenses**—Reimburse Lender for expenses incurred in the making and administration of the Loan.
 - (2) **Books, Records, and Reports**—
 - (a) Keep proper books of account in a manner satisfactory to Lender;
 - (b) Furnish year-end statements to Lender within 120 days of fiscal year end;
 - (c) Furnish additional financial statements or reports whenever Lender requests them;
 - (d) Allow Lender or SBA, at Borrower's or Operating Company's expense, to:
 - [1] Inspect and audit books, records and papers relating to Borrower's and Operating Company's financial or business condition; and
 - [2] Inspect and appraise any of Borrower's and Operating Company's assets; and
 - [3] Allow all government authorities to furnish reports of examinations, or any records pertaining to Borrower and Operating Company, upon request by Lender or SBA.
 - (3) **Equal Opportunity**—Post SBA Form 722, Equal Opportunity Poster, where it is clearly visible to employees, applicants for employment and the general public.
 - (4) **American-made Products**—To the extent practicable, purchase only American-made equipment and products with the proceeds of the Loan.
 - (5) **Taxes**—Pay all federal, state, and local taxes, including income, payroll, real estate and sales taxes of the business when they come due.
- c. Lender must require Borrower and Operating Company to certify that they will not, without Lender's prior written consent:
- (1) **Distributions**—Make any distribution of company assets that will adversely affect the financial condition of Borrower and/or Operating Company.
 - (2) **Ownership Changes**—Change the ownership structure or interests in the business during the term of the Loan.
 - (3) **Transfer of Assets**—Sell, lease, pledge, encumber (except by purchase money liens on property acquired after the date of the Note), or otherwise dispose of any of Borrower's property or assets, except in the ordinary course of business.

ADMINISTRATOR
SMALL BUSINESS ADMINISTRATION

June 23, 2014

By:  Scott D. Lajoie, Vice President,
a Preferred Lender, as Lender and as an agent of and on behalf of the SBA for the purpose of
executing this Authorization.

Date

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DIVISION OF PUBLIC UTILITIES AND CARRIERS

IN RE: A & R MARINE CORP. :
APPLICATION TO INCUR \$1 MILLION : DOCKET No. D-14-__
OF DEBT WITH BANKRI :

NOTICE OF HEARING

Pursuant to the provisions of R.I.G.L. §§ 39-1-1, 39-3-15, and 39-3-17 of the Rhode Island General Laws, as amended, the Division of Public Utilities and Carriers will conduct a public hearing on _____, 2014, at _____ in a hearing room at the Division of Public Utilities and Carriers, 89 Jefferson Boulevard, Warwick, RI 02888. The hearing may continue thereafter from day to day and from time to time as required.

In this docket, the Division of Public Utilities and Carriers will consider an Application by A & R Marine Corp. seeking expedited consent and authorization to incur \$1 million debt with BankRI.

The application and related documents are on file at the office of the Division of Public Utilities and Carriers, 89 Jefferson Boulevard, Warwick, RI 02888 and at the office of Schacht & McElroy, 21 Dryden Lane, Providence, RI 02904 and may be examined there.

Reference is made to Chapters 39-1, 39-3, and 42-35 of the General Laws; also specific sections 39-1-7, 39-1-8, 39-1-11, 39-1-12, 39-1-16, 39-1-18, 39-1-20, 39-3-24, 39-3-25, 39-3-30, 42-35-8, 42-35-9, and 42-35-10.

THE DIVISION OF PUBLIC UTILITIES AND CARRIERS IS ACCESSIBLE TO THE HANDICAPPED. INDIVIDUALS REQUESTING INTERPRETER SERVICES FOR THE HEARING IMPAIRED MUST NOTIFY THE CLERK'S OFFICE AT 941-4500 FIVE DAYS IN ADVANCE OF HEARING DATE.

Thomas F. Ahern, Administrator

_____, 2014