

My name is Martha L. Reeve. I am the treasurer of Upstream Watch.  
 I am a retired CPA, Maine Board of Accountancy License #CP2709, expired September 30, 2014.  
 I am rebutting the pre-filed testimony of Brenda Chandler.

Brenda Chandler's pre-filed testimony on behalf of Nordic Aquafarms, which refers to and relies on earlier submissions for the SLODA application, section 3, does not fulfill the requirements of the application, particularly Section 3B, Financing. Apparently Nordic chose to meet the requirements of line 3, "Other." The application requires submission of the following:

a) Cash equity commitment. This section specifically refers to cash equity committed to the development. 20% of the project cost is considered standard, with the department authorized to adjust this up or down under special circumstances.

Submitted testimony, including pre-filed direct testimony of Brenda Chandler, supported by Appendix 3-A (overview by Nordic) and appendix 3-D (BDO audit report) in the application, reports a company total of \$63,661,189 raised through equity to date. This is equal to only 12.7% of the proposed cost of the project, and is clearly not all committed to the current project. According to the chart provided in Appendix 3-A, \$35,149,743 was raised in years before 2018, thus before proposal of the Belfast project, and \$28,511,446, or 5.7% of projected costs, was raised in the year 2018. Without reference to a company balance sheet, it is unknown whether any of these funds are currently "liquid." There is no suggestion that any of these funds are specifically committed to the current project. This requirement has not been met, and there is no suggestion why it is prudent to adjust or waive the amount.

b) Financial plan for the remaining financing.

There is no coherent financial plan presented. Please see comments that follow regarding the equity, debt and cash-flow financing components ("Financing"), and long-term profitability ("Profit Potential). This requirement has not been met.

c) Letter. A letter from an appropriate financial institution indicating an intent to provide financing. The only letter provided is a "letter of interest" (not "intent") from EKF, appendix 3-C. This letter notes an interest in "possible participation" in financing of projects involving Nordic Aquafarms DK ApS, stating that a "credit export guarantee" might be available for Danish exports. There is not adequate explanation of the general role of this Danish government institution or how it fits into Nordic's funding plan. It is unclear whether they might offer direct financing, or simply provide a guarantee to a more traditional lender. The dollar amount of funding that this might provide is not stated. The required letter specifically indicating an intent to provide funding is not provided.

Rather than conforming to the requirements of the application, Nordic has provided an unstructured discussion of their financing approach in "Pre-filed Testimony by Brenda Chandler" and the attached "Nordic Exhibit 2," as well as "Section 3 Text" in the original application. These letters refer to various attachments. I would like you to consider whether the quality of these materials is sufficient to comply with the requirements of the SLODA application to demonstrate Financial Capability.

INDEPENDENCE: Independence and objectivity are primary tenets of ethics for both the American Institute of Certified Public Accountants and the International Code of Ethics for Professional

Accountants (and many other organizations) for good reason; they are essential to provide a mindset that guarantees unbiased thought and reporting. In the absence of independence, the relationship between the preparer and the client should be clearly disclosed.

Many of the financial assessments and projections provided by Nordic quote Carnegie Bank and Pareto Bank as authorities. As disclosed in the second paragraph of Appendix 3-B of SLODA section 03 (an endorsement from the two banks), these banks have managed equity placements for Nordic in the past. This implies that they would benefit from additional business with Nordic if permits are granted.

Furthermore, one of Nordic's primary shareholders has a substantial business relationship with Pareto Bank that is not disclosed in these documents. Petter W. Borg was a founder and past CEO of a Pareto Group subsidiary, and currently serves as chairman of Pareto Forsikringsmegling (Insurance Brokerage, according to Google Translate) and as chairman of the nomination committee of Pareto Bank, ASA. I note that this information was taken from the company web page of Ferd, a Norwegian company ([https://www.ferd.no/en/about\\_ferd/board\\_and\\_administration/board\\_of\\_directors](https://www.ferd.no/en/about_ferd/board_and_administration/board_of_directors)). Mr. Borg is listed as a member of the Board of Directors, including his affiliations. It is possible that this information is out of date, but these relationships are notable even if they are not current.

Thus the only two firms providing assessments of Nordic Aquafarms' financial potential both have financial ties to Nordic, a notable conflict of interest since they would benefit financially from the permitting of this project. Furthermore, disclosure of the relationships has not been given due respect and transparency. In order to supply reliable financial information for a project of this size and importance, and regarding a relatively young company, it would be appropriate for Nordic to engage an independent accounting firm to present verified financial information and projections.

**FINANCING:** Three financing components are presented in the pre-filed testimony of Brenda Chandler and Nordic Exhibit 2, equity, debt, and cash flow from operations. The credibility of the each of these components is considered below:

**Equity:** Nordic's ability to access private equity is extensively discussed in the application materials, including a list of shareholders who appear to be well recognized in Norway. Nordic has provided a properly-prepared, independent report to document their history of raising capital by issuing securities. Nordic Exhibit 2 notes and BDO Bank verifies the raising of over \$63 million via stock issues through 2018 to fund all of Nordic's ventures. There is no indication that any of this equity is committed to this project as required by this application, as discussed above on page one.

Equity is projected to provide 40% of the building costs of the project (Brenda Chandler testimony), approximately \$200 million.

**Debt:** Access to funds through debt is minimally verified and appears to rely on a Danish government funding scheme that is unfamiliar to me. Application materials simply include an unsupported statement in several documents (Brenda Chandler testimony and Nordic Exhibit 2, as well as SLODA section 3 text and appendix 3-A) that Nordic is "in dialog" with unnamed Norwegian and US banks, and implies that the banks have expressed "interest."

The only documentation provided for borrowing capacity is a “letter of interest” (not “intent”) from EKF as noted above on page 1 as it applies to the application question 3B, line c. EKF will not analyze the project until a formal request is made. I am not familiar with EKF or its methodology, but it appears to offer loan guarantees to assure investors that they will receive compensation for products exported from Denmark even if the recipient is unable to or refuses to pay. It is unclear whether it would be a source of funds. It appears to relate to loans for equipment produced in Denmark for the Maine facility. Without an adequate explanation of how EKF operates and how it fits into Nordic’s financing plans, it is impossible to evaluate its potential to enhance overall funding for this project.

Nordic has supplied little insight into the availability, cost, or role of debt funding. Who are perspective lenders with documented interest and capacity? What is the structure of the debt component, such as specific purpose within the overall funding scheme, potential collateral and proposed timing? What is the role of EKF?

Debt is projected to provide 50% of the building costs of the project (Brenda Chandler testimony), approximately \$250 million.

Cash Flow: Cash flow is cited in the pre-filed testimony of Brenda Chandler (as well as the SLODA application text) as a source of funds for construction costs of phase 2, but there is virtually no documentation of projected cash flow from operations, and indeed no indication that this business venture has the potential to be profitable. With no projected financial statements provided, cash flow is left unaddressed. There is no attempt to demonstrate that positive cash flow from phase 1 will be available to fund phase 2.

Cash Flow is projected to provide 10% of the building costs of the project (Brenda Chandler testimony), approximately \$50 million.

**PROFIT POTENTIAL:** The chart included on the final page of the pre-filed testimony of Brenda Chandler refers to “ongoing support for operations.” (The left column of the chart is cut off and omits some descriptive lettering.) Although this application has been approached solely from the standpoint of the construction phase, it requires reporting of the “cost of measures taken to minimize or prevent adverse effects on the environment during construction and operation.” It is intuitive, and verified in Brenda Chandler’s chart, that costs of operation would be covered by cash flow, and that a long-term positive cash flow, or profit, is essential to responsible ongoing operation of the facility and implementation of these mitigation measures. It is therefore clear that the Financial Plan required by the application must include some assurance that the project will be profitable.

The pre-filed testimony of Brenda Chandler does not address the potential of operations to generate a profit. The only allusion to potential profitability in the application is in the letter from Carnegie and Pareto Banks, Appendix 3-B, primarily in the form of two charts that were apparently prepared by the banks. Virtually no explanation is provided of the data in these charts. What salmon populations and business models are included in “Atlantic Salmon, Price, Cost & Profitability?” There is no indication whether wild-caught salmon are included, or what countries are included in the analysis. There are currently no profitable salmon-producing RAF operations in the world, so this data does not appear relevant to Nordic’s proposed facility. The chart “Composition of Production Cost” includes no description of the fish-raising practices that generated this data, but, with the lack of operational RAS

salmon-raising facilities, it is probably not particularly applicable. No guidance is provided on how to interpret these charts, or how they relate to the current project. Given the lack of supporting information, the charts are meaningless with respect to Nordic's potential profitability.

The only information I have been able to locate that reflects the financial standing of Nordic Aquafarms AS is from the web site [www.proff.no](http://www.proff.no) that is noted in pre-filed direct testimony, Nordic Exhibit 2, as a source of shareholder information. This appears to be an independent Scandinavian reporting service. According to this site, the 2018 operating "result" of Nordic Aquafarms AS (with 8 employees) was a loss of "10,533 'NOK." I am unsure of the significance of the apostrophe before Norwegian Krone, but would guess that it might signify thousands. This would translate to a loss of over \$1,180,000 (according to an internet currency converter provided by Google using data from Morningstar).

The Nordic facility that bears most similarity to the Belfast project is Fredrikstad Seafoods, an RAS facility in Denmark that began construction in 2017. According to the web site [www.proff.no](http://www.proff.no), the 2018 operating "result" of Fredrikstad Seafoods AS (with 12 employees) was a loss of 9,960 'NOK, which, given the above assumptions would translate to a loss of over \$1,120,000.

Nordic Aquafarms, Inc. a subsidiary of a relatively young company with very limited track record, proposing an unconventional project, has supplied no credible documentation indicating that the Belfast facility might generate a profit, and certainly no support for availability of cash flow from phase one to fund the construction of phase 2.

**CONCLUSION:** The pre-filed testimony of Brenda Chandler is not sufficient to fulfill the requirements of the application.

It is the purpose of the SLODA process to determine that the applicant, Nordic Aquafarms, Inc., has the financial capacity to construct and operate (and eventually decommission) the proposed facility responsibly, including the wherewithal to fund proper operation of all measures to mitigate environmental harm during construction and ongoing operation. Financial projections and assertions deserve extra scrutiny since this is a start-up company, and there is no comparable facility for reference. Independent research is difficult since the parent company is organized and operates in a foreign country, in a different language, under unfamiliar finance and accounting rules and customs. Due to the corporate structure, Nordic Aquafarms AS might not be fully liable for liabilities of Nordic Aquafarms, Inc.

With no coherent financial plan, projected financial statements or other reports from an independent accounting professional, this does not appear to be a good-faith submission in response to the SLODA application.

Signed: 

Date: January 16, 2020

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

Martha L. Reeve

Date: 1/16/20

Martha L. Reeve

Printed Name:

Title:

Parties Assisting:

Name:

Address:

Signature: \_\_\_\_\_

Name:

Address:

Signature: \_\_\_\_\_

STATE OF MAINE

COUNTY OF Waldo

PERSONALLY APPEARED, Martha L. Reeve, WHO, UNDERSTANDING THE MEANING OF AN OATH, SWORE THAT THE FORGOING TESTIMONY IS TRUE TO THE BEST OF HIS/HER KNOWLEDGE AND BELIEF, THIS 16 DAY OF JANUARY 2020.

NOTARY PUBLIC

*Sally L Brophy*

*Sally L. Brophy*

MY COMMISSION EXPIRES:

