

STATE OF MAINE
BOARD OF ENVIRONMENTAL PROTECTION

IN THE MATTER OF

NORDIC AQUAFARMS, INC

Belfast and Northport
Waldo County, Maine

A-1146-71-A-N

L-28319-26-A-N

L-28319-TG-B-N

L-28319-4E-C-N

L-28319-L6-D-N

L-28319-TW-E-N

W-009200-6F-A-N

) APPLICATION FOR AIR EMISSION, SITE
) LOCATION OF DEVELOPMENT,
) NATURAL RESOURCES PROTECTION
) ACT, and MAINE POLLUTANT
) DISCHARGE ELIMINATION
) SYSTEM/WASTE DISCHARGE LICENSES
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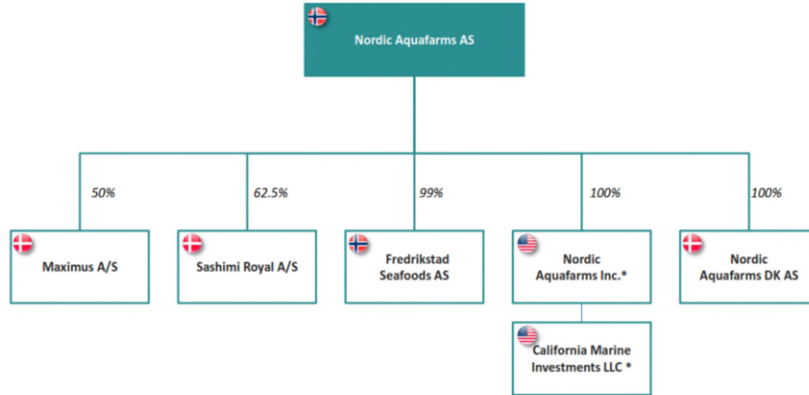
PRE-FILED DIRECT TESTIMONY OF BRENDA CHANDLER

My name is Brenda Chandler. I am the Chief Financial Officer of Nordic Aquafarms, Inc (NAF). I have been with the company since March 2019. Prior to joining NAF, I was Senior Director and Assistant Treasurer for Fairchild Semiconductor Corporation. After the Fairchild acquisition of ON Semiconductor, I became responsible for ON's global real estate program.

During the 5 years as Fairchild's Assistant Treasurer, I successfully completed two bank debt deals, in 2011 a \$400 million 5 year senior secured revolving credit facility and in 2014 \$400 million 5 year senior secured revolving credit facility, both over-subscribed. Further responsibilities included management of treasury share repurchase program as well as an active foreign exchange hedging program, cash and investment management, credit rating agency and banking relationships.

Over the course of my career I have held various Accounting, Controllershship, Subsidiary Board of Director and Director level Finance roles at both small privately held and large publicly traded corporations. With this background, I joined NAF, Inc to assume a unique mix of Real Estate, Treasury, Accounting and the Financial Leadership role.

Among other responsibilities, as CFO for NAF, Inc I monitor our financial position, determine short and long term financial plans while partnering on execution of our strategic business and financing initiatives. For the Maine project financing effort, we collaborate closely with our Nordic Aquafarms executive staff in Norway and Carnegie Investment Bank, a renowned international investment bank. For reference, NAF, Inc is a wholly owned subsidiary of NAF AS in Norway where the current President of NAF Inc, Erik Heim and the founder of the company, successfully financed the company's Nordic build-up of three land-based farms, and an inhouse Center of Excellence design department (NAF DK) that are all in operation today. The current company structure with subsidiaries is illustrated below.



In the Nordic Aquafarms, Inc 3.0 Financial Capacity section of the application, the total estimated cost of the project is \$500 million and divided into two major phases, Phase 1 at \$269.75 million and Phase 2 at \$230.25 million based on final engineering plans. These figures and their associated cost breakdown are shown in **Table 3.1**.

Estimated Development Costs (\$Million)	Phase 1				Phase 2				Total Project
	Tranche 1	2	3	Total Phase 1	4	5	6	Total Phase 2	
	Prep and Environ-mental	Assets thru Mod 1&2	Assets Mod 3		Prep and Environ-mental	Assets Mod 4&5	Assets Mod 6		
Permitting and Design	\$ 5.00			\$ 5.00	\$ 3.00			\$ 3.00	\$ 8.00
Land Acquisition	\$ 2.00			\$ 2.00	\$ -			\$ -	\$ 2.00
Site Clearing	\$ 1.50			\$ 1.50	\$ 0.50			\$ 0.50	\$ 2.00
Soil Erosion Control Implementation and Mtc	\$ 1.00			\$ 1.00	\$ 0.50			\$ 0.50	\$ 1.50
ACOE prescribed winter work premium	\$ 1.50			\$ 1.50	\$ -			\$ -	\$ 1.50
Site piping	\$ 2.50			\$ 2.50	\$ -			\$ -	\$ 2.50
Roads and site finishes	\$ 1.00			\$ 1.00	\$ 1.00			\$ 1.00	\$ 2.00
Infrastructure*		\$ 15.00		\$ 15.00		\$ 7.00		\$ 7.00	\$ 22.00
Buildings and process equipment*		\$ 166.97	\$ 56.03	\$ 223.00		\$ 144.97	\$ 56.03	\$ 201.00	\$ 424.00
Insurances and other project overhead**	\$ 5.75	\$ 5.75	\$ 5.75	\$ 17.25	\$ 5.75	\$ 5.75	\$ 5.75	\$ 17.25	\$ 34.50
Total Phase 1 and Phase 2 Est. Development Cost	\$ 20.25	\$ 187.72	\$ 61.78	\$ 269.75	\$ 10.75	\$ 157.72	\$ 61.78	\$ 230.25	\$ 500.00

Table 3.1 - Estimated Development Cost

*Building, infrastructure and fixed asset purchases for commercial operations, unrelated to environmental and natural resource protection and conservation

**Premiums and other overhead costs related to the project

Nordic Aquafarms, Inc’s immediate financing effort will focus on providing funding for the Phase 1 tranches. The completion of funding is contingent upon receipt and review of final permits. Sources of funding are composed of equity and debt with the first tranche, \$20.25 million from equity. An equity and debt mix will follow for tranches 2 and 3, \$187.72 million and \$61.78 million respectively. According to Carnegie Investment Bank NAF can expect the debt portion to be \$80 million to \$120 million for tranche 2 and 3. NAF and Carnegie assesses that “such a capital structure will be a good fit with the market for Direct Lenders & Private Debt Funds”.

Carnegie Investment Bank confirms that NAF has already managed to build a strong shareholder base, including some to the strongest private investment companies and family offices in Norway. This track-record has not only positioned NAF as a strong name in the international aquaculture investment community, but also as an anticipated investment opportunity in Maine once permits are confirmed. Proof of concept from three farms establishes NAF as an attractive investment.

The fact that NAF was founded in Norway places our company close to a highly competent aquaculture investment community. The largest stock exchange for salmon in the world is located in Norway reflecting investment capacities of many billion USD from Norwegian and international investors. We are confident that the required equity for the project will be successfully placed among current shareholders and potentially new shareholder additions, with permit clarification. As a reflection of our confidence, NAF has so far invested 8 million USD in Maine before permits have been received.

Historically, NAF has share issues to date totaling \$63.6 million (see Appendix 3-A of the application), with all offered shares fully subscribed and strong interest for the next share issue for the Maine project. A complete list of current investors and their corresponding shares is contained in **Appendix 3-A - Financial Capacity Letter**. (see Nordic Exhibit 2).

The ratio of debt and equity is shown below for the entire project (assuming the low end of Carnegie range for Phase 1 debt \$80 million). NAF has been among the early land-based companies to achieve loans to support expansion activities.

Estimated Funding by Source	Equity	Debt	CF	Total
Project Phase 1 Mix	70%	30%		
Project Phase 2 Mix		80%	20%	
Total Project Combined	40%	50%	10%	100%
Initial Working Capital for Ops and Mtc	50%	50%	0%	100%
Ongoing Support for Ops and Mtc			100%	100%

Dated December, 5, 2019

By: Brenda Chandler
 Brenda Chandler, CFO for NAF, Inc

STATE OF MAINE
 County of Cumberland, ss.

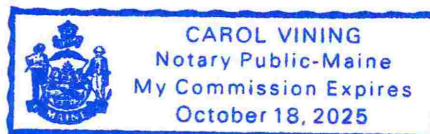
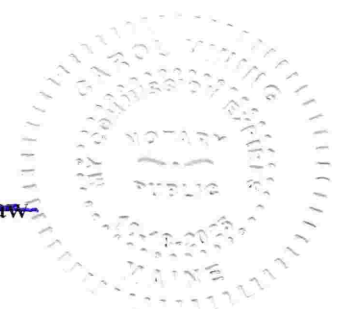
December 5, 2019

Personally appeared the above-named Brenda Chandler and made oath as to the truth of the foregoing pre-filed testimony.

Before me,

Carol Vinig

Notary Public / ~~Attorney at law~~





Attn: To whom it may concern

Gamle Fredrikstad, Norway, March 11th, 2019

Topic: Financing of Nordic Aquafarms' facility in Belfast, Maine

Nordic Aquafarms (referred to as "NAF" in the following) is permitting a land-based fish farm in Belfast, Maine. The total investment in the project is expected to be \$500 million over two major phases. This includes six production modules, two smolt facilities, a processing facility, water infrastructure, grid connections, inclusive of land acquisition, erosion control, roadwork, sewers, structures, water supply and wastewater management, utilities, construction, abatement and restoration and all other components that go into the total project. The total production volume for such facility is projected to be 33,000 metric tons of whole fish.

At the onset of the project, funding is contingent upon receipt and review of final permits. That said, due to the size of the project and length of time under construction, NAF will finance the project in tranches of funding that align with construction milestones, these details are shown below and in Table 3.1 in the financial capacity introduction. Construction milestones are defined as "site prep and environmental", associated with tranche 1 and 4, while "asset" tranches (2, 3, 5 and 6) are production modules and their associated infrastructure. These asset tranches are for the build out of the commercial side of the project and are made up of buildings and equipment necessary for the operation. The total project has two major sets of production modules, containing three modules each and one smolt facility, 3:1 to support the total anticipated production volume.

NAF executives and board will evaluate each of these construction milestones and determine the funding mix and secure funding at the start of each. However, the board always holds the final decision on timing and source mix prior to each tranche. Sources of funding for the project is from three main sources of capital: equity capital; debt (bank/bond), and cash flow from operations.

The final financing mix at any construction milestone will be subject to assessments, negotiations, and board decisions throughout the project. While the initial funding for tranche 1 will be from equity, we expect the debt component to grow through the course of the project with contributions from operational cash flow increasing in the last phase of the project.

As in our Nordic Operations, working capital will be financed through a credit facility to be established as the project moves from construction into production.

NAF will document funding in advance of each construction milestone if required by the authorities.

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Funding Sources

Equity – NAF has access to the equity market as demonstrated by a successful history of raising capital for our projects, as well as high confidence in raising equity for the construction in Maine. NAF has already contributed millions of dollars sourced from equity for the current permitting process.

The equity market, as described in the attached memo from investment banks, Pareto Securities AS and Carnegie AS, is strong within the aquaculture sector in the Nordics and is expected to be strong in the foreseeable future. They support our conclusion that funding will be secured. In the share offerings, NAF expects its strong shareholder base to contribute a substantial amount for the Maine project. Further NAF will invite select institutional investors to participate in any of the equity deals. The use of equity will be evaluated at each milestone in relation to debt financing alternatives.

Debt financing - Debt will be evaluated and introduced in the mix of financing for every financing step. The debt component in each step will be evaluated based on terms achieved. NAF is in dialogue with both Norwegian banks and US banks with regards to financing of the project, after seeing significant interest in our company. Furthermore, EKF (Danish Export Credit Agency) has confirmed interest in supporting the project as a provider of state-backed loan guarantees for an approved bank (for more information on EKF: www.ekf.dk). EKF has written a letter of interest based on dialogue so far. EKF has provided state-backed guarantees for a number of land-based farms in the past, and will be particularly interested once NAF receives final permits.

Cash Flow from operations – future milestones will be partially funded from cash flow in our operations.

Shareholders and share issues to date

As of year-end, Nordic Aquafarms AS had raised a total of NOK 520,111,916 (USD 63,661,189, FX USD/NOK 8,17) in equity from private placements. All offered share issues to date have been fully subscribed.

The shareholder group in the company has steadily increased from mainly local Fredrikstad based shareholders to include some of the wealthiest families and largest private investors in Norway. In the following the largest shareholders will be presented briefly. All information in this section is publicly available through company web-sites or www.proff.no (except the specific invested amounts in NAF per shareholder).

RASMUSSENGRUPPEN AS is the largest shareholder in NAF with ownership of 34.83% of issued shares. The company has invested more than USD 26,000,000 in NAF since December 2016. The company has roots all the way back to 1936 when it was established as a shipping company by Einar Rasmussen. Between 1997 and 2003 the company changed its focus from shipping operations to financial investments, real estate and international shipping/offshore. The group's financial investments are focused on high quality companies with stable earnings and moderate debt levels. Today the group is owned and run by the descendants of the founder Einar Rasmussen, one of the wealthiest families in Norway. As of year-end 2017, RASMUSSENGRUPPEN had a booked equity value of approximately USD 1,600,000,000 and debt of USD 300,000,000. Haakon Aschehoug, portfolio manager in RASMUSSENGRUPPEN is a board member of NAF (for more information: www.rasmussen.no)

PEMCO HOLDING AS is the second largest shareholder in NAF with ownership of 20.38% (including affiliated companies Unitel AS, EKS AS and OMG Trading AS) and has been an investor since NAF was founded in 2014. The company has invested more than USD 12,500,000 in NAF since 2014. PEMCO is a family-owned investment company focusing on small and medium-sized businesses with sustainable, environmental-friendly and innovative profiles. The company's investment portfolio currently comprises companies in a range of sectors: renewable energy, aquaculture, paper and packaging from recycled raw-materials, medicinal and chemical household products, fintech and digitization. In 2017, PEMCO achieved turnover of almost USD 250.000.000 and is in a strong financial position. It has approximately 400 employees. Bjørn Knappskog, founder and majority owner in Pemco is a board member in NAF (for more information: www.pemco.no/en/)

Brødr. Bøckmann AS is the third largest shareholder in NAF with ownership of 13.35% and has been an investor since the company was founded in 2014. Brødr. Bøckmann AS has invested more than USD 7,500,000 in NAF since 2014. The company has roots in Fredrikstad and is owned by a family with businesses within real estate, hotels and financial investments.

Eker Group AS / Eker Crew AS owns 9.30% of NAF and has been an investor since the company was founded in 2014. Eker has invested close to USD 4,000,000 since 2014. Eker Group is fully owned and managed by the Norwegian born and -based industrial designer, entrepreneur and innovator, Bård Eker. Bård Eker is a board member in NAF (for more info: www.ekergroup.com)

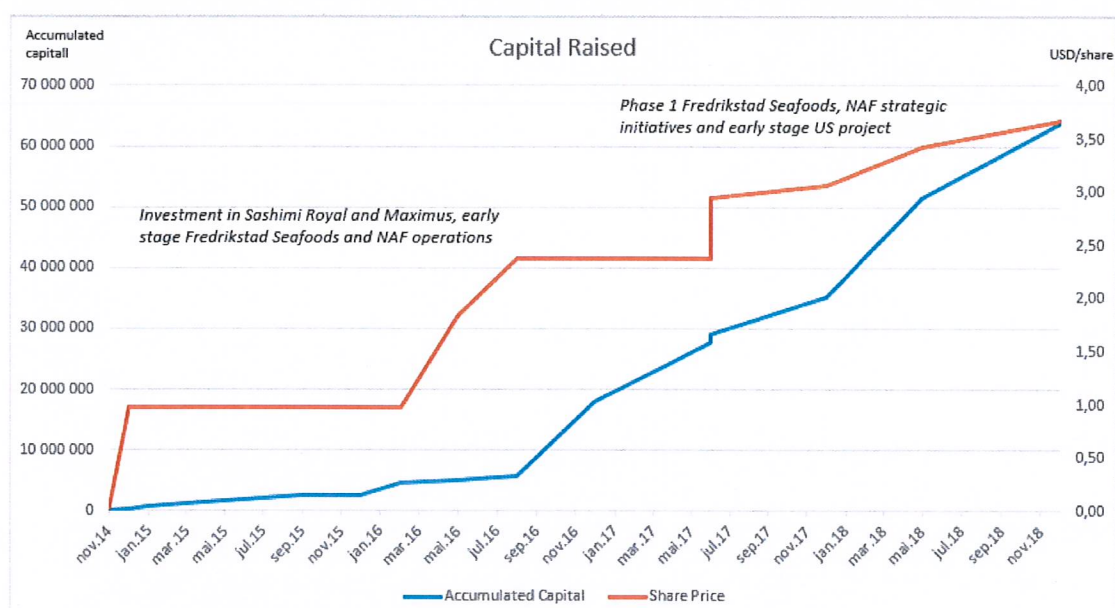
Toluma Invest AS / Skips AS Tudor owns 7.37% of NAF and did its first investment in the company in late 2016. The company has invested a total of close to USD 5,300,000 in NAF. Toluma and Skips AS Tudor is part of the group controlled and owned by the shipping family Wilhelmsen. Wilh. Wilhelmsen was founded in 1861 and is now headed by the 5th generation of that family. The Wilhelmsen family is one of the wealthiest in Norway (for more information: www.wilhelmsen.com)

Sundt AS owns 2.98% of NAF and has been an investor since mid-2017. The company has invested a total of close to USD 2,500,000 in NAF. Sundt is also a company with roots to the shipping industry in Norway and is today primarily an investment company owned by Helene and Christian G. Sundt the descendants

of the founder Petter C.G Sundt. As of year-end 2017, the company had a booked equity value of approximately USD 287,000,000 and debt of USD 89,000,000 (for more information: www.sundt-as.com).

Other shareholders in NAF include founder, Erik Heim, through his company Zenon Venture, board member Petter Borg, through his companies Caddie Invest and Kewa Invest, CEO, Bernt Olav Røttingsnes and CFO Lars Henrik Haaland.

Nordic Aquafarms has issued a total of 25,270,758 shares in a total of 17 share issues. The share price has increased steadily from 2014 until today, from USD 0.98/share to USD 3.67/share.



The following transactions are registered in the publicly available business register in Norway:

#	Shares issued	Cash raised	Time	Comment
1	150 000	3 672	nov.14	
2	187 425	183 525	dec.14	
3	59 875	58 629	dec.14	
4	170 375	0	dec.14	new equity from contributions in kind (shares in Fredrikstad Seafoods)
5	500 000	489 596	jan.15	
6	425 001	416 158	mar.15	
7	537 499	526 315	mai.15	
8	858 121	840 265	sep.15	
9	2 000 000	1 958 384	feb.16	
10	266 667	489 597	may.16	
11	335 052	795 595	aug.16	
12	5 154 640	12 239 904	dec.16	
13	4 128 866	9 804 162	jun.17	
14	416 667	1 223 991	jun.17	
15	2 000 000	6 119 951	dec.17	
16	4 739 295	16 242 382	may.18	
17	3 341 275	12 269 064	dec.18	
Total	25 270 758	63 661 189		

Attached to this memo is a letter from our auditor, BDO, that confirms the share issues and capital raised through Year-End 2018.

The investment trajectory for past NAF projects and the attached support the conclusion that NAF has investment sufficient to design, construct, operate and maintain its project in Belfast, Maine, upon issuance of the required permits for the project.

For further details or information, please contact Bernt Olav Røttingsnes (phone: +47 913 47 021, e-mail: bor@nordicaquafarms.com) or Lars Henrik Haaland (phone: +47 976 51 083, e-mail: LHH@nordicaquafarms.com).

Best Regards,



Bernt Olav Røttingsnes
Chief Executive Officer
Nordic Aquafarms AS



Lars Henrik Haaland
Chief Financial Officer
Nordic Aquafarms AS