

Perry Financial Agreement Summary

On February 5, 2007, Quoddy Bay LNG signed a Financial Framework Agreement with the selectmen of Perry outlining Quoddy Bay's specific annual financial contribution.

While this agreement is comprehensive and includes considerations for education, economic development, roads, fishing, safety, and school renovation, and will cause Quoddy Bay to pay \$3.6 million dollars per year even if the rest of the town pays nothing in taxes, it is up to the people of Perry to decide if it will be accepted or rejected during the upcoming vote on March 26, 2007.

Below is a summary of the major points of the agreement, as well as a description of what Perry taxpayers can expect if they choose to accept the agreement or choose to reject the agreement.

Summary of Financial Framework Agreement between Perry and Quoddy Bay

- **Guaranteed Annual Payment.** Quoddy Bay guarantees that it will make minimum annual payments to the Town of Perry of twice the current Town budget, or \$3.6 million per year for 25 years, increasing with inflation.
- **Emergency Response Plan.** Quoddy Bay is required to develop an Emergency Response Plan (“ERP”) as part of the FERC license application process. Any ERP costs in excess of \$300,000 per year will be paid by Quoddy Bay, over and above the \$3.6 million annual payment to the Town.
- **School Expansion Donation.** Quoddy Bay will make a one-time donation to the Town of \$1 million, to pay for the current estimated costs school renovations and expansion (\$600,000) plus another \$400,000.
- **Perry College Scholarship Fund.** Quoddy Bay will create a college scholarship fund for students from Perry, and will contribute an additional \$100,000 per year to the fund, for 25 years. The fund will be administered by the School Committee, which shall nominate scholarship recipients. Recipients must be Perry residents.
- **Residential Buy-Out Program.** Quoddy Bay agrees to buy out certain nearby residential property owners, if they wish to sell, at a price equal to 150% of the appraised fair market value of their properties.
- **Road Improvements.** Quoddy Bay will pay to upgrade the Old Eastport Road and Cannon Hill Road, to support increased truck traffic during construction of the project. When the project is complete, Quoddy Bay will pay to repair these roads as necessary to place them back into as good or better condition than they were in before the start of construction.
- **Professional Cost Reimbursements.** Quoddy Bay will reimburse Perry's legal and professional costs in connection with the project, including the cost of any professional consultants that may be required by the Planning Board to review Quoddy Bay's local permit applications.
- **Solid Waste Transfer.** Quoddy Bay will remain responsible for the cost of complying with approval conditions and costs of any solid waste transfer or sewage disposal required for the project. All of these costs will be in addition to the \$3.6 million annual payment.
- **Commercial Fishing Impacts.** Quoddy Bay agrees to negotiate with local fishing organizations over impacts of the project on commercial fishermen.
- **Timing of Payments.** All of the payments listed above will start when Quoddy Bay obtains its project financing, but no later than the date it gives a notice to proceed to its project construction contractor.

Accepting vs. Rejecting The Agreement

The Financial Framework Agreement is a direct result of negotiations between the three selectmen of Perry and representatives of Quoddy Bay LNG. While the agreement is substantial, it can only be made binding by the voters of Perry. On March 26, 2007 the voters of Perry will be given the choice to accept or reject the financial benefits of this agreement. Either way, the town of Perry will benefit financially from the project. The vote in March will decide the amount of benefit the town of Perry receives. Below is a summary listing of outcomes for accepting or rejecting the proposed agreement.

If the voters accept the Financial Framework Agreement:

- Payments from Quoddy Bay will be at least \$3.6 million dollars and those payments will increase each year to adjust for inflation (estimated to be \$125,000 per year). Payments start at the beginning of construction, estimated to be 2008.
- Payments from Quoddy Bay will equate to 200% of current town budget, even if the rest of the taxpayers pay nothing in taxes.
- Revenues will be stabilized, regardless of valuation, mill rate, or throughput, meaning the mill rate can be dropped to zero and the Town will still have twice its budget to use as it sees fit.
- The \$3.6 million per year will start at the beginning of construction.
- Quoddy Bay will fund \$1,000,000 to renovate and expand the school, \$400,000 above the estimate for needed expansion and renovation.
- Quoddy Bay will allocate an additional \$100,000 annually to make scholarships available to Perry residents.
- \$300,000 of the \$3.6 million annually may be used to properly equip the town for emergency response as it relates to the Facility. If more than \$300,000 is needed, then all additional costs will be paid for by Quoddy Bay, above the \$3.6 million.
- Quoddy Bay agrees to, in writing, its 150% abutter buyout program.
- Quoddy Bay agrees to, in writing, to work in good faith towards addressing and mitigating impacts to fishermen in the future.

If the voters reject the Financial Framework Agreement:

- Quoddy Bay LNG will become a normal taxpayer, like every other business in Perry.
- Current projections estimate that Quoddy Bay will pay approximately 85% of the town budget, instead of 200%. The majority of the taxable value would not be realized for up to two years after construction starts, i.e. 2010.
- The mill rate will likely be dropped, but will not be zero. It is likely the mill rate will settle around \$8.00.
- Revenues received by the Town of Perry from Quoddy Bay will change from year to year and those revenues could decrease with plant depreciation, instead of increase with inflation.
- Tax revenues from Quoddy Bay will start after construction is completed (estimated at 2010), and will be relatively small in the first and second years of construction due to smaller valuation of taxable property in those years.