

Loring Holdings, LLC

NFPA Quarterly Report to the Loring Development Authority

2Q16

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Prepared for Loring Holdings, LLC by
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About Loring Holdings, LLC (“LH”):

LH is a privately-funded project management and development company. LH has two managing members, Hayes Gahagan and William J. Smyth, Esq. Ryan Gahagan is LH’s Project Manager. LH is headquartered at 154 Development Drive, Loring Commerce Centre, Limestone, Maine 04750, under a lease arrangement with the Loring Development Authority of Maine (“LDA”). [LDA was the first in a series of municipal corporations chartered by The Maine State Legislature in special acts of legislation to serve as "instrumentalities of the state" when military bases located in Maine were closed]. LH’s stated mission is to redevelop assets and resources of the former Loring Air Force Base, now known as the Loring Commerce Centre, for energy and economic development for Northern Maine. LH’s website is located at www.loringenergy.com.

Quarterly Report Context:

In 2007, LH and the LDA executed the “Pipeline and Easement Corridor Lease and Use Agreement” in which LH secured the rights to develop the 200-mile Searsport-Loring Right-of-Way (“SL-ROW”) for a “Second Pipeline and New Facilities,” as amended in 2010, with “New Facilities” defined as electric transmission line(s). On January 1st, 2016, LH and LDA executed the “New Facilities Payment Agreement” (“NFPA”), in which LH agreed that “Prior to the commencement of commercial operations, LH shall submit a written progress report to LDA not less frequently than quarterly.” In keeping with the terms of the NFPA, LH herein offers its quarterly report.

Progress Report – 2Q16:

The “New Facilities” under development by LH are referred to as the Maine Power Express (“MPX”). The MPX is a proposed 1000MW HVDC electric transmission line to be located within approximately 115 miles of the SL-ROW, beginning in Haynesville, ME and continuing through the southern termination point of the SL-ROW, in Searsport, ME. The MPX is being co-development by LH and National Resources Energy (“NRE”), with LH Managing Member Hayes Gahagan and NRE Managing Member, Scott Houldin. The MPX website is located at: www.maineplx.com.

The MPX is being developed in response to the southern New England States demand for 1) new generation capacity and 2) reduced greenhouse gas (“GHG”) emissions from the energy sector. ISO-NE is projecting over 10,000MWs of Coal, Oil and Nuclear power plants to retire within the next 5-10 years. This represents nearly 30% of the New England fleet. Massachusetts, specifically, has set strict GHG reduction targets and is working on procuring up to 1500MWs of “Clean” energy, e.g. Wind and Hydro power. This is the Market Demand that MPX is seeking to meet. The SL-ROW is well positioned to provide an underground electric transmission path from where the energy is generated (wind in southern Aroostook County, hydro in Canada), to where it is needed, in Boston, MA.

Exhibit 1 of the NFPA is a list of MPX Project Milestones (not inclusive; not necessarily sequential) as a guide to measure the progress of the MPX project. These milestones are listed below, as well as a status report on each. Milestones completed during the reporting quarter are listed in **BOLD**.

Item	Milestone	Completed	Status
1	Execute NFPA with LDA	1Q16	Complete
2	Execute Option Agreements (Haynesville, Sprague ROW - Searsport, Savage ROW – Searsport)	2Q16	Options Effective April 1, 2016. Completes 100% of the Maine land-based site control for the MPX
3	Initiate, Complete and Approve surveys of Option Properties, including terrain feasibility analysis		Plan to initiate 3Q2016, pending securing of PEP (see item 18)
4	Initiate State of Maine Submerged lease process	2Q16	Met with Maine Bureau of Parks and Lands on April 25th, 2016
5	Secure State of Maine Submerged lease		The Maine BPL will negotiate the lease for use of the Penobscot Bay waters by the MPX upon completion of certain surveys and approvals from the MDEP. Permitting expected to begin 3Q16, pending item 18
6	Resolve SL-ROW Encroachment Issues		Encroachments have been identified. They will be resolved during initial survey of the SL-ROW, expected 3Q16, pending item 18
7	Secure MPX Point-to-Point Site Control		All Maine land-based site control was secured in 1Q16. The Massachusetts land-based site control includes 1) Massport, for which MPX has obtained a Letter of Intent for 5.5 acres, and 2) An easement from Massport to the K-Street Substation, a work in progress. The ME, MA and US Submerged waters site control will be secured during the development stage of the MPX, at which time, “point-to-point site control” will be secured, expected in 2018
8	Step Progress on MPX ISO-NE System Impact Study	2Q16	The ISO-NE SIS is funded and on-going.
9	Complete MPX ISO-NE System Impact Study	In Progress	System Impact Studies range from 9-18 months to complete. ISO-NE does not provide projections. MPX is working with ISO-NE Consultants Bob Stein and Abby Krich to manage the study being conducted by ISO-NE and ABB.
10	Initiate Application to FERC for Negotiated Rate Authority	2Q16	MPX submitted an application to FERC on May 5, 2016
11	Secure FERC approval for Negotiated Rate Authority	3Q16*	MPX received a FERC Order approving Negotiated Rate Authority on July 1, 2016. *Note: This is technically a 3rd quarter milestone, but worth noting here
12	Issue FERC Open Solicitation		This refers to the “Merchant Path” development option for the MPX. Since Massachusetts is working on a Rate-Based Solicitation, this Open Solicitation is a back-up plan for the MPX. An OS

Item	Milestone	Completed	Status
			would be issued if the Mass RFP fails to be released
13	MA/ISO-NE Issue RFP for Wind/Hydro	In Progress	Massachusetts senate bill S.2400 calls for a solicitation of up to 1500MWs of Wind/Hydro. It is expected to be voted on by July 31 st , 2016. Language states that an RFP would be issued "Not later than April 1, 2017" i.e. 2Q17
14	MPX respond to one or more MA/ISO-NE RFPs for Wind/Hydro		See item 13
15	Secure transport agreements with MPX Shippers	In Progress	Pending item 18. MPX has regular communication with several Northern Maine and Eastern Canada prospective generator-Shippers on the MPX
16	Initiate one or more federal, state, local environmental or other permit processes		Pending item 18. Expected 3Q16
17	Secure one or more federal, state, local environmental or other permit processes		Likely to occur in 2017
18	Secure one or more LH Participating Energy Partners ("PEP")	In Progress	Currently in discussion/negotiations with Prospective PEPs. Target 3Q16.
19	Secure MA/ISO-NE Power Purchase Agreement		Expected in 2018. Current MA RFP language requires contracts to be executed no later than December 31 st , 2018. MPX lobbied in 3Q16 to move date forward to December 31 st , 2017 to expedite process. Results pending
20	Secure one or more Project Financiers		Expected in 2018
21	MPX Project Finance Closing		Expected in 2018
22	Construction Notice to Proceed		Expected in 2018

This concludes the Quarterly Report from LH for the NFPA. The next report can be expected in October, 2016. For questions and/or comments, please contact:

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